Massachusetts Electric Company
and Nantucket Electric Company

Request for Approval of Contracts that Transfer Ten Percent of the Wholesale Standard Offer Service Supply Obligation from USGenNE to Constellation Power Source, Inc.

August 30, 2002

Submitted to:
Massachusetts Department of
Telecommunications and Energy
Docket D.T.E. No. 97-94

Submitted by:

Massachusetts Electric
A National Grid Company

Nantucket Electric
A National Grid Company

Massachusetts Electric
A National Grid Company

Thomas G. Robinson
General Counsel

August 30, 2002

Mary L. Cottrell, Secretary
Massachusetts Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

Re: D.T.E. 97-94
Massachusetts Electric Company and Nantucket Electric Company Standard Offer Service Agreement – Request for Approval of Contracts that Transfer Ten Percent of the Wholesale Standard Offer Service Supply Obligation from USGenNE to Constellation Power Source, Inc.

Dear Secretary Cottrell:

In accordance with G. L. c. 164, Section 94A, Massachusetts Electric Company and Nantucket Electric Company ("Mass. Electric" or the "Company") hereby seek approval of the following transactions:

1. A contract between the Company and Constellation Power Source, Inc. ("CPS") for CPS to provide 10% of the portion of Mass. Electric's requirements for wholesale Standard Offer Service that existed before the date of its merger with Eastern Edison.[1]

2. The implementation of a December 23, 1999 Amendment to the agreement between the Company and USGen New England ("USGenNE") (the "December 1999 Amendment") that will permanently reduce by 10% USGenNE's obligation to provide Company's requirements for wholesale Standard Offer Service.

As described below, these agreements implement the transfer to CPS of ten percent of USGenNE's Standard Offer supply obligations to Mass. Electric at the same prices set forth in the USGenNE contract that has been approved by the Department in this docket.

Background:

As part of the divestiture process under its restructuring settlement approved by the Department in Docket No. D.P.U. 96-25, on October 29, 1997, Mass. Electric entered into an agreement with USGenNE for the wholesale supply of Standard Offer Service

[1] The service provided under the USGenNE Agreement and the New Contract only applies to customers who were customers of record as of the Retail Access Date and who are located in Mass. Electric's and Nantucket's service territories as defined prior to its merger with Eastern Edison Company. Service to other Standard Offer customers is provided under other agreements.

that Mass. Electric in turn provides to its retail customers. That agreement was approved by the Department in this docket, and was subsequently amended on September 1, 1998 and December 23, 1999 (As amended, the "USGenNE Agreement"). Under the USGenNE Agreement, USGenNE is obligated to provide 90.78% of the requirements of Mass. Electric (before its merger with Eastern Edison) necessary for the Company to meet its supply obligations to customers receiving Standard Offer Service. Pursuant to the December 1999 Amendment, the Company and USGenNE agreed that USGenNE could reduce its load obligation under the USGenNE Agreement from 90.78% to 80.78% if CPS and the Company entered into an agreement for CPS to provide the corresponding 10% of the supply requirements. The Company and CPS have now entered into such an agreement, subject to approval of the Department (the "New Agreement").

A redacted copy of the New Agreement is Attachment A to this filing. A confidential copy is being filed with a Motion for a Protective Order. A complete copy of the USGenNE Agreement, including the December 1999 Amendment, is included in Attachment B to this filing.

Proposed Transaction and Benefits to Customers:

Under the New Agreement, CPS will provide electricity to Mass. Electric for 10% of the standard offer service load served by Mass. Electric. In accordance with the terms of the December 1999 Amendment, the USGenNE Agreement will automatically and correspondingly be reformed to reduce the standard offer supply being provided by USGenNE upon CPS's commencement of service.

The prices in the New Agreement for the supply of wholesale standard offer service are identical to those in the USGenNE Agreement. Rather than rely on the terms and conditions of the USGenNE Agreement, however, the Company and CPS entered into a new power supply agreement. The terms and conditions of the USGenNE Agreement and the New Agreement are comparable and, in some respects, more favorable for customers. The New Agreement is a more “up-to-date” contract that reflects the state of the energy markets today, and reflects the knowledge gained regarding how to address changes that may take place between the time of its execution and the end of its term. It neither modifies the underlying business transaction nor shifts any additional costs, burdens, or risks to the Company. The New Agreement incorporates a provision clearly addressing the parties' obligations for certain costs that presently are disputed between Mass. Electric and USGenNE, in particular, uplift costs. The New Agreement also provides for security to assure the parties' performance. CPS is the subsidiary of Constellation Energy Group, which currently has an investment grade credit rating, and the New Agreement provides Mass. Electric with protections should specified credit conditions weaken during the term of the contract.

In summary, the New Agreement provides identical pricing terms to those in the USGenNE Agreement, but has (i) updated contract language, (ii) detailed credit support provisions, and (iii) provisions that clarify CPS’s responsibility for certain costs, including uplift costs.

Requested Approval and Timing:

Chapter 164, Section 94A of the Massachusetts General Laws provides, in pertinent part, that "[n]o gas or electric company shall … enter into a contract for the purchase of gas or electricity covering a period in excess of one year without the approval of the [D]epartment…." Id. In order to facilitate the transition from USGenNE to CPS for the 10% load obligation, Mass. Electric seeks expeditious approval of the New Agreement and the implementation of the December 1999 Amendment. The Company requests that notice requirements be waived because the Department has previously approved the USGenNE Agreement and the prices under the New Agreement are the same as those under the previously approved agreement. The Company has provided copies of this petition to the parties in the Company's Restructuring Settlement proceeding, Docket No. D.T.E. 97-94.

USGenNE and CPS have petitioned the Federal Energy Regulatory Commission ("FERC") under Section 203 of the Federal Power Act for authorization for USGenNE to dispose of its right and obligation to provide the 10% of the wholesale Standard Offer Service to the Company and for CPS to provide it. The petition for FERC approval requests expedited treatment and on August 28, 2002, FERC issued a notice of filing and established September 13, 2002 as the due date for comments. Attachment C to this petition is the Section 203 filing and Attachment D is the FERC Notice. In accordance with the terms of the December 1999 Amendment and the New Agreement, regulatory approvals need to be received no later than September 25, 2002 in order for Mass. Electric to begin receiving service from CPS on October 1, 2002. In order to facilitate the transition to and the administration of the New Agreement, the Company requests approval of the transactions on or before September 20, 2002.

For the foregoing reasons, Mass. Electric respectfully requests that the Department approve New Agreement and the implementation of the December 1999 Amendment to the USGenNE Agreement by September 20, 2002. Michael Hager, Director of Energy Supply - New England and I are available to provide any additional information on our filing. Mr. Hager can be reached at 508.421.7350 or Michael.Hager@us.ngrid.com, and I may be reached via the phone number and email address set forth above. Thank you for your attention to our filing.

Very truly yours,

Thomas G. Robinson

cc: Paul Afonso, General Counsel
Ronald F. LeComte, Director of Electric Power Division
Attached Service List in Docket No. D.T.E. 97-94

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ATTACHMENT A

New Agreement

Between

Massachusetts Electric Company
Nantucket Electric Company
And
Constellation Power Source, Inc.

POWER SUPPLY AGREEMENT

This **POWER SUPPLY AGREEMENT** ("Agreement") is dated as of August 23, 2002 (the "Effective Date") and is by and between MASSACHUSETTS ELECTRIC COMPANY, a Massachusetts corporation, NANTUCKET ELECTRIC COMPANY, a Massachusetts corporation (these two parties collectively, the "Companies") and CONSTELLATION POWER SOURCE, INC., a Delaware corporation ("Seller") (the Companies and Seller, each a "Party" and collectively, the "Parties"). This Agreement provides for the sale by Seller to the Companies of Wholesale Standard Offer 1 Service, as defined herein.

ARTICLE 1. BASIC UNDERSTANDINGS

The Companies presently receive 90.78% of their Standard Offer 1 Service requirements from another supplier (the "Other Supplier") pursuant to a Second Amended and Restated Wholesale Standard Offer 1 Service Agreement dated September 1, 1998, as further amended by the parties thereto (the "Existing SOS Agreement"). Seller has an agreement with the Other Supplier to provide ten percent (10%) of the Companies' requirements for Standard Offer 1 Service (the "Existing Seller Agreement"). The Other Supplier has agreed to reduce its obligation to provide the Companies' Standard Offer 1 Service requirements by ten percent (10%) of the Companies' total Standard Offer 1 Service supply requirements. Seller desires to provide the Companies Wholesale Standard Offer 1 Service (as defined below) as of such time. This Agreement sets forth the terms and conditions under which Seller has agreed to supply such Wholesale Standard Offer 1 Service directly to the Companies.

ARTICLE 2. DEFINITIONS

The following words and terms shall be understood to have the following meanings when used in this Agreement. In addition, except as otherwise expressly provided, where terms used in this Agreement with initial capitalization are not defined herein but are defined in the NEPOOL Rules, either currently or in the future, the definition thereof in the NEPOOL Rules is expressly incorporated into this Agreement by reference.

Affiliate –With respect to the Companies, any company that is a subsidiary (direct or indirect) of National Grid, USA, Inc. and its successors and with respect to Seller, any company that is a subsidiary (direct or indirect) of Constellation Energy Group, Inc. and its successors.

Bankrupt - With respect to any entity, such entity (i) files a petition or otherwise commences, authorizes or acquiesces in the commencement of a proceeding or cause of action under any bankruptcy, insolvency, reorganization or similar law, or has any such petition filed or commenced against it, (ii) makes an assignment or any general arrangement for the benefit of creditors, (iii) otherwise becomes bankrupt or insolvent (however evidenced), (iv) has a liquidator, administrator, receiver, trustee, conservator or similar official appointed with respect to it or any substantial portion of its property or assets, or (v) as contemplated by applicable bankruptcy law, is generally unable to pay its debts as they fall due, unless such debts are the subject of a bona fide dispute.

Billing Energy – Ten percent (10%) of the quantity of energy, expressed in kilowatt-hours, provided by the Companies to the meters of its retail customers taking Standard Offer 1 Service. This quantity shall be equal to the Delivered Energy less any transmission and distribution losses as determined in Section 6.2.

Business Day - Any day except a Saturday, Sunday, or a Federal Reserve Bank holiday. A Business Day shall open at 8:00 a.m. and close at 5:00 p.m. local time for the relevant Party's principal place of business. The relevant Party, in each instance unless otherwise specified, shall be the Party to whom the notice, payment or delivery is being sent and by whom the notice or payment or delivery is to be received.

Companies' Service Territory – The geographic area served by the Companies as of the date hereof and not including any additional service territories acquired by the Companies through merger, acquisition or otherwise.

Companies' System - The electrical system of the Companies and/or the electrical system of any Affiliate of the Companies as of the date hereof.

Competitive Supplier Terms - The Companies' Model Terms and Conditions for Competitive Suppliers, M.D.T.E. No. 1059, as may be amended from time to time.

Credit Rating - With respect to an entity, means the rating then assigned to such entity's unsecured, senior long-term debt obligations (not supported by third party credit enhancements) by S&P, Moody's or any other rating agency agreed by the Parties, or if such entity does not have a rating for its senior unsecured long-term debt, then the rating then assigned to such entity as an issuer rating by S&P, Moody's or any other rating agency agreed by the Parties.

Default Service - The provision of electricity to meet the needs of the Companies' customers taking service pursuant to the Default Service Tariff.

Default Service Tariff - Massachusetts Electric Company's Tariff for Default Service, M.D.T.E. No. 1041, as may be amended from time to time and approved by the M.D.T.E..

Delivered Energy - The quantity of energy, expressed in megawatt-hours, provided by Seller pursuant to this Agreement. This quantity shall be the aggregate quantity of energy reported to the ISO by the Companies and/or their agent for each Load Asset identified in Section 6.4 with such quantity being determined in accordance with Section 6.3 hereof.

Delivery Point - Delivery Point means (i) prior to the implementation of SMD and LMP, any point or points on the NEPOOL PTF system; and (ii) after implementation of SMD and LMP, the nodes, if any, and if not, the zones, representing the actual locations of the meters of the Standard Offer 1 Service customers of the Companies then being served hereunder.

Delivery Term - The period beginning at HE 0100 EPT on September 1, 2002 (except as the commencement date may be extended pursuant to Section 3.1) and continuing through and including HE 2400 EPT on December 31, 2004.

Distribution Service Terms – The Companies' Terms and Conditions for Distribution Service, M.D.T.E. No. 997, as may be amended from time to time and approved by the M.D.T.E..

Eastern Massachusetts Zone - The geographic area served by the former Eastern Edison Company immediately prior to its merger with and into Massachusetts Electric Company.

EBT Working Group Report – The most recently revised version of the report initially submitted by the Electronic Business Transaction Working Group to the M.D.T.E on October 9, 1997.

FERC - The Federal Energy Regulatory Commission or such successor federal regulatory agency as may have jurisdiction over this Agreement.

Investment Grade - means (i) with respect to a Credit Rating assigned by S&P, a Credit Rating equal to or better than "BBB-"; or (ii) with respect to a Credit Rating assigned by Moody's, a Credit Rating equal to or better than "Baa3".

ISO - The Independent System Operator established in accordance with the NEPOOL Rules, or its successor.

kWh - Kilowatt-hour.

LMP or **Locational Marginal Pricing** means as defined in the Standard Market Design.

Massachusetts Restructuring Agreement - The Offer of Settlement dated May 28, 1997, entered into by and among the Office of the Attorney General of Massachusetts, American National Power, American Tractebel Corporation, Conservation Law foundation, Division of Energy Resources, KCS Power Marketing, Inc., Low-Income Intervenors, Massachusetts Community Action Directors Association, Massachusetts Energy Directors Association, Massachusetts High Technology Council, Northeast Energy and Commerce Association, Northeast Energy Efficiency Council, Inc., the Energy Consortium, Union of Concerned Scientists, U.S. Generating Company, Massachusetts Electric Company, Nantucket Electric Company, and New England Power Company, as amended and accepted or approved by the M.D.T.E. and the FERC.

M.D.T.E. - The Massachusetts Department of Telecommunications and Energy or any successor regulatory agency.

Massachusetts Electric Zone - The geographic area served by Massachusetts Electric Company and Nantucket Electric Company immediately prior to Eastern Edison Company's merger with and into Massachusetts Electric Company.

MMBtu - One Million British thermal units.

Moody's - Moody's Investor Services, Inc., or its successor.

MWh - Megawatt hour.

NEPOOL - The New England Power Pool, or its successor.

NEPOOL Rules - All rules, operating procedures, agreements, manuals, protocols and tariffs adopted by NEPOOL and/or the ISO as accepted and/or approved by FERC, as such rules may be amended, modified or superceded and in effect from time to time.

Net Worth - means total assets, exclusive of intangible assets, less total liabilities as reflected on the applicable Party's most recent annual audited or quarterly unaudited financial statements, as the case may be, which financial statements shall be prepared in accordance with generally accepted accounting principles consistently applied.

Price - shall have the meaning set forth in Section 5.1 below.

Prime Rate - The prime (or comparable) rate announced from time to time as its prime rate by Fleet Boston or its successor, which rate may differ from the rate offered to its more substantial and creditworthy customers.

PTF - Facilities categorized as Pool Transmission Facilities under the NEPOOL Rules.

Retail Access Date – March 1, 1998.

S&P - means Standard & Poor's Rating Group (a division of McGraw-Hill, Inc.) or its successor.

SMD or **Standard Market Design** - means Market Rule 1 - NEPOOL Standard Market Design, FERC Electric Rate Schedule No. 7, as may be amended, modified or supplemented from time to time.

Standard Offer 1 Service - The electric service provided by the Companies pursuant to the Massachusetts Restructuring Agreement to retail customers in the Massachusetts Electric Zone as of the Retail Access Date that: (a) are not receiving their electric supply from an alternative supplier; (b) are not receiving Default Service; or (c) are not Standard Offer 3 Service customers.

Standard Offer Service Fuel Adjustment Provision – shall mean Appendix B hereto.

Standard Offer Service Tariff - Massachusetts Electric Company's Tariff for Standard Service, M.D.T.E. No. 984-B, as may be amended, modified or supplemented from time to time and approved by the M.D.T.E..

Standard Offer 3 Service- The sale of electricity by Massachusetts Electric Company to meet the needs of Massachusetts Electric Company's ultimate customers taking service pursuant to the Standard Offer Service Tariff who either (i) are low-income customers in the Massachusetts Electric Zone who were not customers of record as of March 1, 1998 and who commence taking service pursuant to the Standard Offer Service Tariff after March 1, 1998, or (ii) are located in the Massachusetts Electric Zone and commence taking service pursuant to the Standard Offer Service Tariff as a result of their opting out of a municipal aggregation program or (iii) continue taking service pursuant to the Standard Offer Service Tariff following a relocation from the Eastern Massachusetts Zone to the Massachusetts Electric Zone.

Wholesale Standard Offer 1 Service - The supply, delivery and sale of electricity by Seller to the Companies for resale by the Companies to meet ten percent (10%) of: (i) the metered requirements of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory plus (ii) the requirements of unmetered facilities of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory for which reasonable estimates of kWh usage are available; as more particularly described in Article 6 hereof. Such customers shall not include, nor shall Seller be responsible for the provision of Wholesale Standard Offer 1 Service to the Companies for any customer taking Default Service or Standard Offer 3 Service or any customers who are receiving electric supply from a retail provider.

VAN – Shall have the meaning set forth in Section 3.7 below.

ARTICLE 3. TERM, REGULATORY APPROVALS, SERVICE PROVISIONS AND REGISTRATION REQUIREMENTS

Section 3.1. Term

The Delivery Term shall begin as of the first day of the month in which the last of the following enumerated events occurs or is waived by the Party entitled to the benefit thereof; provided however, that if the last of the events occurs on or after the third to last Business Day of a month, then the commencement date of the Delivery Term shall be the first day of the second month following the date on which the last of the following events occurs:

(a) A final, non-appealable order from the M.D.T.E. approving this Agreement, or a written communication from the M.D.T.E. stating that such approval is not required; and

(b) a final order of the FERC approving the joint application of Seller and the Other Supplier under Section 203 of the Federal Power Act for approval to transfer to Seller the Other Supplier's rights and obligations to supply ten percent (10%) of (i) the metered requirements of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory plus (ii) the requirements of unmetered facilities of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory for which reasonable estimates of kWh usage are available.

The Parties agree to work cooperatively together and to use their best efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to satisfy, in the most expeditious manner practicable, the conditions set forth in subsections (a) and (b) above. Notwithstanding the foregoing, in the event that the Existing SOS Agreement shall have been terminated for any reason prior to satisfaction or waiver of the conditions set forth in subsections (a) and (b) above, this Agreement shall automatically terminate and be deemed null and void, and neither Party shall have any obligations or liability to the other Party arising out of this Agreement, save and except for any obligations that are intended to survive the expiration or earlier termination of this Agreement.

The term of this Agreement shall commence on the Effective Date and shall extend through and including the date on which final payment is made between the Companies and Seller hereunder, unless this Agreement is sooner terminated in accordance with the provisions hereof. At the expiration of the term, the Parties shall no longer be bound by the terms and provisions hereof, except (i) to the extent necessary to enforce the rights and the obligations of the Parties arising under this Agreement before such expiration or termination and (ii) the obligations of the Parties hereunder with respect to confidentiality, indemnification and audit rights shall survive the expiration or termination of this Agreement and shall continue for a period of two (2) calendar years following such termination.

Section 3.2. Commencement Date of Supply to Retail Customers

The Companies shall, via electronic file transfer in accordance with Section 3.7 hereof, provide Seller (i) no later than ten (10) days following the satisfaction of the conditions set forth in Sections 3.1(a) and (b), a breakdown by rate class of the number of ultimate customers of the Companies receiving Standard Offer 1 Service as of such time and (ii) from and after the satisfaction of the conditions set forth in Sections 3.1(a) and (b), a notice of commencement either (A) concurrently with the provision of any 814-5 Customer Drops Supplier or receipt of any 814-6 Supplier Drops Customer transaction notice (as such are contemplated by the EBT Working Group Report) by the Companies or (B) in the event none of the transaction notices contemplated in (A) applies, as soon as practicable following the commencement of receipt of Standard Offer 1 Service by an ultimate customer of the Companies. For each notice of commencement, the Companies shall provide Seller with the account number, commencement date of service and rate class of each customer.

Seller may only dispute and/or challenge any notice it receives from the Companies that a customer will commence service pursuant to the Standard Offer Service Tariff if Seller has a good-faith basis to claim that such customer was erroneously classified and such dispute and/or challenge is made in accordance with the provisions of Article 15 hereof. The pendency of such dispute shall not affect the provision of Standard Offer 1 Service to such customer.

Section 3.3. Termination Date of Supply to Retail Customers

The Companies shall provide Seller with a notice of termination via electronic file transfer in accordance with Section 3.7 hereof concurrently with (i) the provision of any 814-2 Successful Enrollment transaction notice (as such are contemplated by the EBT Working Group Report) sent by the Companies or (ii) in the event that such a transaction notice as contemplated in (A) does not apply, as soon as practicable following the termination of receipt of Standard Offer 1 Service during the Delivery Term by an ultimate customer of the Companies. For each notice of termination, the Companies shall provide Seller with the account number, termination date of service and rate class of each customer. The Companies will not provide notice of termination for customers who remain on Standard Offer 1 Service as of the expiration of the Delivery Term.

Seller may only dispute and/or challenge any notice it receives from the Companies that a customer will terminate Standard Offer 1 Service pursuant to the Standard Offer Service Tariff if Seller has a good-faith basis to claim that such customer was erroneously terminated and such

dispute and/or challenge is made in accordance with the provisions of Article 15 hereof. The pendency of such dispute shall not effect the termination of the provision of Standard Offer 1 Service to such customer.

Section 3.4. Service Disconnection Procedures

The Companies may discontinue service to any customer taking Standard Offer 1 Service pursuant to the Standard Offer Service Tariff in accordance with the provisions of the Distribution Service Terms. If Seller has established an account on the VAN in accordance with Section 3.7, the Companies shall provide electronic notification to Seller of any customer taking Standard Offer 1 Service pursuant to the Standard Offer Service Tariff which receives a final bill as a result of disconnection. The electronic file shall be transmitted using the VAN. The cost of using the VAN shall be borne by Seller.

Seller may not disconnect or request disconnection of any customer taking Standard Offer 1 Service pursuant to the Standard Offer Service Tariff.

Section 3.5. Distribution Service Interruptions

Interruptions in distribution service, if any, to customers taking Standard Offer 1 Service pursuant to the Standard Offer Service Tariff, shall be made in accordance with the provisions of the Distribution Service Terms and the Competitive Supplier Terms.

Section 3.6. Release of Customer Information

The Companies will not issue any customer information to Seller unless Seller has first obtained the necessary authorization in accordance with the provisions of the Competitive Supplier Terms.

Section 3.7. Electronic Notification

In order to receive electronic file transfers as provided for in Section 3.2, Section 3.3 and Section 3.4 hereof, Seller shall establish an account on the Advantis Value Added Network ("VAN") and verify its ability to transfer and receive files with the Companies at least fourteen (14) days prior to the day on which Seller desires to commence receipt of such transfers. All costs of establishing an account and using the VAN shall be born by Seller. If Seller fails to pay any or all of the VAN costs attributable to the performance by the Parties of this Agreement when such costs are due and payable, the Companies may discontinue distribution of electronic file transfers to Seller.

Section 3.8. Notification of Competitive Supplier Promotions and Programs

The Companies shall provide Seller with advance written notice of any contemplated programs, promotions, or initiatives that shall be sponsored or supported by the Companies that are designed to encourage customers receiving service under the Standard Offer Service Tariff to leave Standard Offer Service for any reason ("Programs"). Such notification shall be provided as soon as practicable after the Companies know with reasonable certainty that any such Program or

Programs will be implemented, but, in any event, no later than thirty (30) days prior to implementation of any such Program or Programs.

Section 3.9. Uniform Disclosure Requirements

Upon request of the Companies, Seller shall provide the Companies information pertaining to power plant emissions, fuel types, labor information and any other information required by the Companies to comply with the uniform disclosure requirements contained in 220 CMR 11.00 and any other disclosure regulations which may be imposed upon the Companies during the term of this Agreement, as such disclosure requirements apply to the services provided by Seller pursuant to this Agreement. Except for the foregoing, Seller shall have no responsibility or liability to the Companies or otherwise associated with any such regulations or any other such requirements of the M.D.T.E., including any such renewable resource or portfolio requirements as may be imposed from time to time.

Section 3.10. Affiliate Businesses.

Nothing contained herein shall prohibit Affiliates of Seller from engaging in the business of being a competitive supplier or otherwise serving electrical load in the Companies' Service Territory. Each Party shall comply in all material respects with applicable laws, rules, regulations and codes of conduct governing the relationship between such Party and any of its Affiliates.

Section 3.11. Compliance with Standard Offer Service Tariff and Distribution Service Terms.

The Companies shall not be liable to Seller for any of Seller's revenue losses as a result of any disconnection, termination, commencement of service or change in consumption of or by a Standard Offer 1 Service Customer; provided, that any actions or inactions taken by the Companies are not inconsistent with or in violation of the Standard Offer Service Tariff and/or the provisions of the Distribution Service Terms.

ARTICLE 4. SALE AND PURCHASE

Seller shall sell and deliver to the Delivery Point and the Companies shall purchase and receive Wholesale Standard Offer 1 Service during the Delivery Term. Title to and risk of loss related to the energy so sold and delivered shall transfer from Seller to the Companies at the Delivery Point, except as provided for in Sections 6.1 and 6.2 with respect to transmission and distribution losses.

ARTICLE 5. PRICE AND BILLING

Section 5.1. Price

The Price payable by the Companies to Seller shall be:

Period	Price in Cents per kWh

2002	4.2 Cents
2003	4.7 Cents
2004	5.1 Cents

The Companies shall pay Seller additional amounts due, if any, in accordance with the Standard Offer Fuel Adjustment Provision, described in Appendix B, attached and incorporated herein by reference.

Section 5.2. Billing and Payment

(a) On or before the tenth (10th) day of each month during the term of this Agreement, the Companies shall calculate the amount due and payable to Seller pursuant to this Article 5 with respect to the preceding month. The amount payable shall be calculated by multiplying the Price specified in the first paragraph of Section 5.1 above, for the applicable month, by the Billing Energy in the applicable month. Because Billing Energy quantities are based upon estimates, subject to a reconciliation process described in Section 6.3(c), quantities used in calculations under this paragraph (a) shall be subject to adjustment, whether positive or negative, in subsequent months' calculations, to reflect that reconciliation process, and any adjusted quantities shall be applied to the Price applicable for the month to which the quantities being adjusted relate. Amounts due, if any, pursuant to the Standard Offer Service Fuel Adjustment Provision shall be added to such amount.

(b) Seller shall submit an invoice with such calculation as provided in paragraph (a) and the respective amounts due under the terms of this Agreement to the Companies not later than ten (10) days after the Companies provide the calculation to Seller. Such invoice shall be delivered to the Companies by express mail, courier, facsimile or by electronic means and all such invoices shall be due and payable as specified in paragraph (c).

(c) The Companies shall pay Seller the amount set forth in Seller's invoice on or before the last Business Day of the calendar month in which the invoice is delivered. If all or any part of any amount due and payable pursuant to paragraph (a) shall remain unpaid thereafter, interest shall thereafter accrue and be payable to Seller on such unpaid amount at a rate per annum equal to two percent (2%) above the Prime Rate in effect on the date of such invoice; provided, however, no interest shall accrue in favor of Seller or the Companies on amounts that are added to or credited against a calculation due to the adjustment of estimated quantities in accordance with paragraph (a) and Section 6.3.

Section 5.3. Disputed Invoices

A Party may, in good faith, dispute the correctness of any invoice or any adjustment to an invoice rendered under this Agreement or adjust any invoice for any arithmetic, computational or other error within twenty-four (24) months of the date the invoice or adjustment to an invoice was rendered. In the event an invoice or portion thereof, or any other claim or adjustment arising hereunder, is disputed, payment of the undisputed portion of the invoice shall be required to be made when due, with notice of the objection given to the other Party. Any billing dispute or billing adjustment shall be in writing and shall state the basis for the dispute or adjustment.

Payment of the disputed amount shall not be required until the dispute is resolved. Upon resolution of the dispute, any required payment shall be made within two (2) Business Days of such resolution along with interest accrued at the Prime Rate plus two percent (2%) from and including the due date to but excluding the date paid. With respect to any error in a calculation (whether the amount is paid or not), any overpayment, underpayment, or reconciliation adjustment will be refunded or paid up, as appropriate. Inadvertent overpayments shall be returned upon request or deducted by the Party receiving such overpayment from subsequent payments, with interest accrued at the Prime Rate plus 2% from and including the date of such overpayment to but excluding the date repaid or deducted by the Party receiving such overpayment. Any dispute with respect to an invoice is waived unless the other Party is notified in accordance with this Section 5.3 within twenty-four (24) months after the invoice is rendered or any specific adjustment to the invoice is made. If an invoice is not rendered within twenty-four (24) months after the close of the month during which performance occurred, the right to payment for such performance is waived.

Section 5.4. Taxes, Fees and Levies

(a) Seller shall pay or cause to be paid all present and future taxes, fees and levies imposed by any governmental authority on or with respect to the Wholesale Standard Offer 1 Service or any transaction arising out of or related to this Agreement prior to the Delivery Point. To the extent such taxes, fees and levies are allowed as of the date hereof under the Companies' Tariffs to be, and are actually, recovered by the Companies from their customers, the Companies shall reimburse Seller for any such taxes, fees, and levies paid by Seller. The Companies shall pay or cause to be paid all present and future taxes, fees and levies imposed by any governmental authority on or with respect to the Wholesale Standard Offer 1 Service or any transaction arising out of or related to this Agreement at and from the Delivery Point. Nothing shall obligate or cause a Party to pay or be liable to pay any taxes, fees and levies imposed by any governmental authority for which it is exempt under the law.

(b) All electricity delivered by Seller to the Companies hereunder shall be sales for resale, with the Companies reselling such electricity to the Companies ultimate customers. The Companies shall provide Seller with any certificate reasonably required by Seller to evidence such sales for resale.

ARTICLE 6. DELIVERY, LOSSES, AND DETERMINATION AND REPORTING OF HOURLY LOADS

Section 6.1. Delivery

All electricity shall be delivered to the Companies in the form of three-phase sixty-hertz alternating current at the Delivery Point.

(a) Seller's obligations hereunder shall include generation and/or market purchase and delivery, to the Delivery Point, of such electric capacity, energy and ancillary services as are required to provide Wholesale Standard Offer 1 Service during the Delivery Term. Seller, as the supplier of Wholesale Standard Offer 1 Service, will be responsible for all present and future requirements and associated costs for Installed Capability, Energy, Operating Reserves,

Automatic Generation Control, losses, uplift costs and any congestion charges resulting from the provision of Wholesale Standard Offer 1 Service and any other requirements, market products, expenses or charges imposed on Seller by NEPOOL or the ISO, as they may be in effect from time to time but only to the extent such costs or charges are imposed on or otherwise allocated to Seller on the basis of Electrical Load arising from Seller's obligations as set forth herein with respect to the provision of Wholesale Standard Offer 1 Service.

(b) The Companies shall make arrangements for NEPOOL Regional Network Service that provides for transmission over the PTF, and local network service from any applicable local transmission provider(s) that provides for transmission over non-PTF. The Companies shall be billed by NEPOOL and the applicable local transmission provider(s) for these services, including such charges as are allocated to Network Load. The Companies shall pay these bills and collect the costs, along with the Companies' distribution costs, from their customers through the Companies' retail distribution tariffs. Any other transmission costs incurred for service prior to the Delivery Point will be the Seller's responsibility.

(c) If the NEPOOL control area experiences congestion, Seller will be responsible for any congestion costs incurred in delivering power across the PTF system to the Companies; provided, however, that the Companies shall be responsible for any congestion costs which are allocated on the basis of Network Load or otherwise payable by the Companies under the NEPOOL Open Access Transmission Tariff. Seller shall be responsible for all transmission and distribution costs associated with the use of transmission systems outside of NEPOOL and any local point-to-point charges and distribution charges needed to deliver the power to the Delivery Point, except to the extent covered by the Companies' obligations under the above section (b).

(d) If the Standard Market Design as currently planned for NEPOOL, or a design or system similar to the SMD currently planned, is implemented during the term of this Agreement, then, notwithstanding Section 6.1(c) above, Seller shall be responsible for all obligations, requirements, and costs resulting from, and entitled to all benefits and rights arising out of or related to, Seller having the Day-Ahead Load Obligations, Day-Ahead Adjusted Load Obligations, Real-Time Load Obligations, and Real-Time Adjusted Load Obligations at the nodes/zones representing the actual locations of the meters of its proportionate share of the Companies' customers receiving Standard Offer 1 Service. Seller's associated responsibilities shall include, but are not limited to, Operating Reserves and their costs, Net Commitment Period Compensation charges, Emergency Energy charges, Daily RMR Resource expenses or charges and RMR Uplift charges, but only to the extent such costs or charges are imposed on or otherwise allocated to Seller arising from Seller's obligations as set forth herein with respect to the provision of Wholesale Standard Offer 1 Service. Seller shall be responsible for all decisions and data submissions associated with any bids into the market system to manage these obligations. Seller shall be responsible for all components of any Locational Marginal Prices Seller must pay to provide service under this Agreement, including its delivery to the Delivery Point. These components include, but are not limited to, the energy, marginal losses, and congestion charges. Seller shall be responsible for paying all Congestion Charges for delivery to the actual meters of its proportionate share of the Companies' ultimate customers receiving Standard Offer 1 Service.

(e) If and only to the extent the Companies receive Financial Transmission Rights Auction revenues associated with Auction Revenue Rights assigned to Standard Offer 1 Service, the Companies' shall assign, transfer or pay, as applicable, to Seller the proceeds from the auction of such rights related to Seller's proportionate share, allocated to the Companies' and associated with Standard Offer 1 Service. The Companies shall, at Seller's sole cost and expense, take such actions as are reasonably necessary to ensure that the Companies receive any such Financial Transmission Rights Auction revenues to which they are otherwise entitled.

Section 6.2. Losses

Seller shall be responsible for all transmission and distribution losses associated with the delivery of electricity supplied under this Agreement to the meters of the Companies' ultimate customers taking Standard Offer 1 Service; provided, however, that losses do not include service to unmetered facilities for which reasonable estimates of kWh use are available and provided, further, that Seller shall not be responsible for unmetered use or consumption of electricity by the Companies or their Affiliates. Seller shall provide the Companies at the Delivery Point with additional quantities of electricity and ancillary services to cover such losses from the Delivery Point to the meters of such customers. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with NEPOOL's and the Companies' procedures for loss determination. Seller shall be responsible for any PTF losses allocated by the ISO which are associated with the provision of Standard Offer 1 Service pursuant to this Agreement.

Section 6.3. Determination and Reporting of Hourly Loads

(a) The Companies or their agent shall estimate the total hourly load responsibility for each of the services provided by Seller pursuant to this Agreement based upon average load profiles developed for each of the Companies' customer classes and each of the Companies' actual total hourly load. Appendix A, attached and incorporated herein by reference, provides a general description of the estimation process that the Companies or their agent shall employ (the "Estimation Process"). The Companies hereby reserve the right to modify the Estimation Process in the future; provided, that any such modification shall be designed with the objective of improving the accuracy and precision of the Estimation Process. The Companies or their agent shall report to the ISO and to Seller the hourly load responsibility of Seller for Standard Offer 1 Service.

(b) The Companies or their agent shall use all reasonable efforts to report to the ISO and to Seller Seller's hourly adjusted Standard Offer 1 Service loads by 1:00 P.M. of the second following business day.

(c) To refine the estimates of Seller's monthly load developed by the Estimation Process, a monthly calculation will be performed by the Companies to reconcile the original estimate of Seller's loads to actual customer usage based on meter reads. The Companies or their agent will normally notify the ISO of any resulting billing adjustment (debit or credit) to Seller's account no later than the last day of the third month following the billing month. Appendix A, attached and incorporated herein by reference, also provides a general description of this reconciliation process.

Section 6.4. NEPOOL Market System Implementation

The Loads for this service will be represented in the NEPOOL Market System as Load Asset 1253, or such other Load Asset designation as may be established during the term of this Agreement for the Load.

As soon as possible prior to the start of the Delivery Term, the Companies shall enter into the NEPOOL Market System Load Asset Contracts for Electrical Load and Installed Capability for Load Asset 1253. The Load Asset Contracts shall be effective throughout the Delivery Term and shall designate the Companies as seller and Seller as buyer.

As soon as practicable following the Companies entry of the Load Asset Contracts and at least seventy-two (72) hours prior to the start of the Delivery Term, Seller shall submit Load Asset Contract acknowledgment forms to the ISO and to the Companies for each of the Load Asset Contracts submitted by the Companies.

As soon as possible prior to the start of the Delivery Term, Seller shall establish a new Load Asset within the NEPOOL Market System, with Seller as owner, to represent the Wholesale Standard Offer 1 Service loads served by Massachusetts Electric Company in Nantucket Electric Company's service territory.

The Load Asset designations identified above may be changed from time to time during the term of this Agreement, consistent with the definition of Wholesale Standard Offer 1 Service and other terms hereof. To the extent such designations change, the Companies and Seller will work together to put into effect the necessary NEPOOL Market System contracts that are needed to implement the new designations and terminate the prior designations

ARTICLE 7. DEFAULT, TERMINATION AND SECURITY

Section 7.1. Events of Default and Termination

(a) (i) If the Companies (or either of them) fail in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (except due to causes excused by Force Majeure or attributable to Seller's wrongful act or wrongful failure to act or as otherwise set forth in Section 7.1(a)(iii) or (iv)) or fail to make when due any undisputed payment due to Seller hereunder; and

(ii) After receipt of written notice from Seller such failure continues for a period of five (5) business days, or, if such failure cannot be reasonably cured within such five (5) business day period, such further period as shall reasonably be required to effect such cure, provided that the Companies commence within such five (5) business day period to effect such cure and at all times thereafter proceed diligently to complete such cure as quickly as possible, or, in the case of a failure to pay, after receipt of written notice from Seller such failure continues for a period of three (3) business days; or

(iii) If the Companies (or either of them) become Bankrupt; or

(iv) If the Companies fail to satisfy their obligation to provide credit support in accordance with Section 7.2, including:

(1) if any representation or warranty made by a credit support provider in connection with this Agreement or any credit support is false or misleading in any material respect when made or when deemed made or repeated;

(2) the failure of a credit support provider to make any payment required or to perform any other material covenant or obligation in any credit support delivered in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after receipt of written notice;

(3) a credit support provider becomes Bankrupt;

(4) the failure of any credit support to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement to which such credit support shall relate without the written consent of the other Party; or

(5) a credit support provider shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any credit support.

then

(v) An "Event of Default" shall have occurred with respect to the Companies (as a "Defaulting Party" hereunder) and Seller shall have the remedies set forth in Section 7.2 below.

(b) (i) If Seller fails in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (except due to causes excused by Force Majeure or attributable to the Companies' wrongful act or wrongful failure to act or as otherwise set forth in Section 7.1(b)(iii) or (iv)) or fails to make when due any undisputed payment due to the Companies hereunder; and

(ii) After receipt of written notice from the Companies such failure continues for a period of five (5) business days, or, if such failure cannot be reasonably cured within such five (5) business day period, such further period as shall reasonably be required to effect such cure, provided that Seller commences within such five (5) business day period to effect such cure and at all times thereafter proceeds diligently to complete such cure as quickly as possible, or, in the case of a failure to pay, after receipt of written notice from the Companies such failure continues for a period of three (3) business days; or

(iii) If Seller becomes Bankrupt; or

(iv) If Seller fails to satisfy its obligation to provide credit support in accordance with Section 7.2, including:

(1) if any representation or warranty made by a credit support provider in connection with this Agreement or any credit support is false or misleading in any material respect when made or when deemed made or repeated;

(2) the failure of a credit support provider to make any payment required or to perform any other material covenant or obligation in any credit support delivered in connection with this Agreement and such failure shall not be remedied within three (3) Business Days after receipt of written notice;

(3) a credit support provider becomes Bankrupt;

(4) the failure of any credit support to be in full force and effect for purposes of this Agreement (other than in accordance with its terms) prior to the satisfaction of all obligations of such Party under this Agreement to which such credit support shall relate without the written consent of the other Party; or

(5) a credit support provider shall repudiate, disaffirm, disclaim, or reject, in whole or in part, or challenge the validity of any credit support.

then

(v) An "Event of Default" shall have occurred with respect to Seller (as a "Defaulting Party" hereunder) and the Companies shall have the remedies set forth in Section 7.2 below.

(c) Nothing in this Section 7.1 shall be construed to limit the right of a Party to seek any remedies for damages for breach, subject to the limitations of this Section 7.1 and Sections 7.2 and 16.2 and Article 10 (and otherwise as provided in this Agreement), even if a cure of an alleged Event of Default is made within the periods of time specified for curing any such Event of Default stated above. The provisions of this Section 7.1 and Section 7.2 are intended only to provide the exclusive process through which a Party may exercise and effectuate its right to terminate this Agreement as a result of an Event of Default hereunder.

(d) In the event of termination as provided in Section 7.2, in addition to any amounts owed for performance (or failure to perform) hereunder prior to such termination, the Non-Defaulting Party may seek recovery, without duplication, of its direct damages as provided for in Section 7.2 below; such damages to be determined by reference to prevailing market prices at the time of such termination. The remedies set forth in Section 7.2 shall be the sole and exclusive remedies for termination of this Agreement.

Section 7.2. Declaration of an Early Termination Date and Calculation of Settlement Amounts

(a) If an Event of Default with respect to a Defaulting Party shall have occurred and be continuing, the other Party (the "Non-Defaulting Party") shall have the right (i) to designate a day, no earlier than the day such notice is effective and no later than twenty (20) days after such notice is effective, as an early termination date ("Early Termination Date") to accelerate all amounts owing between the Parties and to liquidate and terminate this Agreement, (ii) withhold any payments due to the Defaulting Party under this Agreement and (iii) suspend performance. The Parties obligations under this Agreement in general, and under this Section 7.2 in particular, are subject to the duty to mitigate damages as provided under common law damages recovery. The Non-Defaulting Party shall calculate, in good faith, a Settlement Amount (as defined below) for this Agreement as of the Early Termination Date.

(b) For purposes of this Article 7, the following terms shall have the following meanings:

"Settlement Amount" means the Losses or Gains, and Costs, expressed in U.S. Dollars, which the Non-Defaulting Party incurs as a result of the liquidation of this Agreement pursuant to Section 7.2.

"Costs" means, with respect to the Non-Defaulting Party, brokerage fees, commissions and other similar third party transaction costs and expenses reasonably incurred by such Party in terminating any arrangement pursuant to which it has hedged its obligations and/or entering into new arrangements which replace this Agreement; and all reasonable attorneys' fees and expenses incurred by the Non-Defaulting Party in connection with the termination of this Agreement.

"Gains" means, with respect to any Party, an amount equal to the present value of the economic benefit to it, if any (exclusive of Costs), resulting from the termination of this Agreement, determined in a commercially reasonable manner.

"Losses" means, with respect to any Party, an amount equal to the present value of the economic loss to it, if any (exclusive of Costs), resulting from termination of this Agreement, determined in a commercially reasonable manner.

Section 7.3. Net Out of Settlement Amounts

The Non-Defaulting Party shall aggregate all Settlement Amounts into a single amount by: netting out (a) all Settlement Amounts that are due to the Defaulting Party, plus, at the option of the Non-Defaulting Party, any cash or other form of security then available to the Non-Defaulting Party pursuant to Section 7.6, plus any or all other amounts due to the Defaulting Party under this Agreement against (b) all Settlement Amounts that are due to the Non-Defaulting Party, plus any or all other amounts due to the Non-Defaulting Party under this Agreement, so that all such amounts shall be netted out to a single liquidated amount (the "Termination Payment") payable by one Party to the other. The Termination Payment shall be due to or due from the Non-Defaulting Party as appropriate.

Section 7.4. Notice of Payment of Termination Payment

As soon as practicable after an Early Termination Date, notice shall be given by the Non-Defaulting Party to the Defaulting Party of the amount of the Termination Payment and whether the Termination Payment is due to or due from the Non-Defaulting Party. The notice shall include a written statement explaining in reasonable detail the calculation of such amount. The Termination Payment shall be made by the Party that owes it within two (2) Business Days after such notice is effective.

Section 7.5. Disputes With Respect to Termination Payment

If the Defaulting Party disputes the Non-Defaulting Party's calculation of the Termination Payment, in whole or in part, the Defaulting Party shall, within two (2) Business Days of receipt of Non-Defaulting Party's calculation of the Termination Payment, provide to the Non-Defaulting Party a detailed written explanation of the basis for such dispute; provided, however, that if the Termination Payment is due from the Defaulting Party, the Defaulting Party shall first pay the Termination Payment to the Non-Defaulting Party pursuant to Section 7.4 above, and the Non-Defaulting Party shall then deposit into an interest bearing escrow account for the benefit of the prevailing Party an amount equal to the disputed portion of the Termination Payment and the dispute shall be resolved in accordance with Section 16.2.

Section 7.6. Security

(a) Each Party shall, at all times during the Delivery Term, either (i) maintain (A) a Credit Rating at least equal to Investment Grade and (B) a Net Worth at least equal to the product of $20.00/MWh multiplied by the Delivered Energy (expressed in MWh), in the prior calendar year (1,319,579 MWh for calendar year 2001) multiplied by the number of calendar years (including any partial years on a prorated basis) remaining in the Delivery Term of this Agreement (the "Credit Requirements") or (ii) provide credit support, in accordance with Section 7.6(b). Upon the request of a Party, the other Party shall provide its most recent financial statement (or the statement of its guarantor at any time that a guaranty delivered pursuant to subsection (b)(i) is in effect) accompanied by a certificate of an authorized officer that the Party (or the guarantor as the case may be) meets the Credit Requirements.

(b) If, as of the date of the commencement of the Delivery Term or at any time thereafter, either Party (or its guarantor at any time that a guaranty delivered pursuant to clause (i) below is in effect) fails to meet the Credit Requirements, then such Party (the "Downgraded Party") shall provide credit support to the other Party (A) in an amount calculated pursuant to Section 7.6(c); and (B) in one of the following forms, within five (5) Business Days of the occurrence of such event:

(i) a guaranty of the Downgraded Party's obligations hereunder issued by an Affiliate of such Downgraded Party that meets the Credit Requirements and in substantially the form set forth in Appendix C attached hereto and made a part hereof; or

(ii) an irrevocable, transferable standby letter of credit issued by a U.S. commercial bank or a foreign bank with a U.S. branch with such bank having a credit rating of at least "A-" from S&P or "A3" from Moody's, in a form

acceptable to the Party in whose favor the letter of credit is issued, and if the Downgraded Party is required to provide the bank with a guarantee or any other form of financial assurance from one or more other entities to secure its letter of credit obligations, then such entities shall also guarantee all of the Downgraded Party's obligations to the other Party under this Agreement; or

(iii) any alternate form of credit support proposed by the Downgraded Party that the other Party deems acceptable in its sole discretion; provided, that, it is under no obligation to accept any alternate form of credit and may withhold consent to any such alternate form for any reason.

(c) The amount of credit support to be provided pursuant to Section 7.6(b) shall be equal to the product of (i) $10.00/MWh and (ii) the Delivered Energy (expressed in MWh) in the prior calendar year (1,319,579 MWh for calendar year 2001) multiplied by the number of calendar years (including any partial years on a prorated basis) remaining in the Delivery Term of this Agreement as of such date. The amount of credit support required to be provided hereunder shall be recalculated at the end of each calendar year and at such other time as may be requested by the Downgraded Party (but in no event more frequently than quarterly).

Section 7.7. Forward Contract

The Parties agree and acknowledge that they are each a "forward contract merchant" within the meaning of the United States Bankruptcy Code, that this Agreement is a "forward contract" within the meaning of the United States Bankruptcy Code, and that the remedies identified in this Agreement, including but not limited those specified in Article 7 above, shall be "contractual rights" as provided for in 11 U.S.C. § 556 as that provision may be amended from time to time.

ARTICLE 8. REPRESENTATIONS AND WARRANTIES

Section 8.1. Representations and Warranties.

As a material inducement to enter into this Agreement, the respective Parties represent and warrant for the benefit of the other Party, throughout the term of this Agreement, as follows:

(a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction of its formation and is qualified to conduct its business in those jurisdictions necessary to perform this Agreement.

(b) Except as set forth on Schedule 8.1(b), it has all regulatory authorizations necessary for it to legally perform its obligations under this Agreement and no consents of any other party and no act of any other governmental authority is required in connection with the execution, delivery and performance of this Agreement.

(c) The execution, delivery and performance of this Agreement are within its powers, have been duly authorized by all necessary action and do not violate any of the terms or conditions in its governing documents or any contract to which it is a Party or any law, rule,

regulation, order, writ, judgment, decree or other legal or regulatory determination applicable to it.

(d) This Agreement constitutes a legal, valid and binding obligation of such Party enforceable against it in accordance with its terms, subject to bankruptcy, insolvency, reorganization and other laws affecting creditor's rights generally, and with regard to equitable remedies, to the discretion of the court before which proceedings to obtain same may be pending.

(e) There are no bankruptcy, insolvency, reorganization, receivership or other proceedings pending or being contemplated by it, or of its knowledge threatened against it.

(f) There are no suits, proceedings, judgments, rulings or orders by or before any court or any governmental authority that materially adversely affect its ability to perform this Agreement.

(g) It is acting for its own account, has made its own independent decision to enter into this Agreement and as to whether this Agreement is appropriate or proper for it based upon its own judgment, is not relying upon the advice or recommendations of the other Party hereto in so doing, and is capable of assessing the merits of and understanding, and understands and accepts, the terms, conditions and risks of this Agreement.

ARTICLE 9. NOTICES, REPRESENTATIVES OF THE PARTIES

Section 9.1. Notices.

Any notice, demand, or request required or authorized by this Agreement to be given by one Party to another Party shall be in writing. It shall either be sent by facsimile (confirmed by telephone), courier, personally delivered or mailed, postage prepaid, to the representative of the other Party designated in this Article 9. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone, (ii) when actually received if delivered by courier or personal delivery or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

Notices and other communications by Seller to the Companies shall be addressed to:

Mr. Michael J. Hager
Director, Energy Supply New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northboro, MA 01532
(508) 421-7350
(508) 421-7335 (fax)

Notices and other communications by the Companies to Seller shall be addressed to:

Constellation Power Source, Inc.
111 Market Place, Suite 500
Baltimore, MD 21202
Attn: Head of Operations with a copy to General Counsel
(410) 468-3490
(410) 468-3540 (fax)

Any Party may change its representative by written notice to the others.

Section 9.2. Authority of Representative

The Parties' respective representatives designated in Section 9.1 shall have full authority to act for their respective principals in all matters relating to the performance of this Agreement. They shall not, however, have the authority to amend, modify, or waive any provision of this Agreement unless they are authorized officers of their respective entities and such amendment, modification or waiver is made pursuant to Article 18.

ARTICLE 10. LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

Section 10.1. Limitation on Consequential, Incidental and Indirect Damages

TO THE FULLEST EXTENT PERMISSIBLE BY LAW, NEITHER THE COMPANIES NOR SELLER, NOR THEIR RESPECTIVE OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUPPLIERS, PARENT, SUBSIDIARIES, AFFILIATES, SUCCESSOR OR ASSIGNS SHALL BE LIABLE TO THE OTHER PARTY OR ITS OFFICERS, DIRECTORS, AGENTS, EMPLOYEES, SUPPLIERS, PARENT, SUBSIDIARIES, AFFILIATES, SUCCESSORS OR ASSIGNS FOR CLAIMS, SUITS, ACTIONS OR CAUSES OF ACTION FOR INCIDENTAL, INDIRECT, SPECIAL, PUNITIVE, MULTIPLE, CONSEQUENTIAL DAMAGES (INCLUDING ATTORNEY'S FEES OR LITIGATION COSTS ASSOCIATED THEREWITH) OR LOST PROFITS OR OTHER BUSINESS INTERRUPTION DAMAGES CONNECTED WITH OR RESULTING FROM PERFORMANCE OR NON-PERFORMANCE OF THIS AGREEMENT, OR ANY ACTIONS UNDERTAKEN IN CONNECTION WITH OR RELATED TO THIS AGREEMENT, INCLUDING WITHOUT LIMITATION ANY SUCH DAMAGES WHICH ARE BASED UPON CAUSES OF ACTION FOR BREACH OF CONTRACT, TORT (INCLUDING NEGLIGENCE AND MISREPRESENTATION), BREACH OF WARRANTY, STRICT LIABILITY, STATUTE, OPERATION OF LAW, OR ANY OTHER THEORY OF RECOVERY. THE PROVISIONS OF THIS SECTION 10.1 SHALL APPLY REGARDLESS OF FAULT AND SHALL SURVIVE TERMINATION, CANCELLATION, SUSPENSION, COMPLETION OR EXPIRATION OF THIS AGREEMENT, BUT SHALL NOT BE CONSTRUED SO AS TO INVALIDATE ALL OR ANY PART OF THE EXPRESS MEASURES OF DAMAGES SET FORTH IN CONNECTION WITH THE CALCULATION OF AN EARLY TERMINATION PAYMENT AS PROVIDED IN SECTION 7.2(B).

Section 10.2. Indemnification

(a) Seller agrees to defend, indemnify and save the Companies, their officers, directors, agents, employees, suppliers, parent, subsidiaries, Affiliates, successors or assigns harmless from and against any and all third-party claims, suits, actions or causes of action and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Wholesale Standard Offer 1 Service is vested in Seller as provided in Article 4, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, supplier, parent, subsidiary, successor, assign or Affiliate of the Companies.

(b) The Companies agrees to defend, indemnify and save Seller, its officers, directors, agents, employees, suppliers, parent, subsidiaries, affiliates, successor or assigns harmless from and against any and all third-party claims, suits, actions or causes of action and the resulting losses, damages, expenses, attorneys' fees and court costs, whether incurred by settlement or otherwise, and whether such claims or actions are threatened or filed prior to or after the termination of this Agreement, arising from or out of any event, circumstance, act or incident first occurring or existing during the period when control and title to Wholesale Standard Offer 1 Service is vested in the Companies as provided in Article 4, except to the extent caused by an act of gross negligence or willful misconduct by an officer, director, agent, employee, supplier, parent, subsidiary, successor, assign or affiliate of Seller.

(c) If any Party intends to seek indemnification under this Section 10.2 from the other Party with respect to any third-party action or claim, the Party seeking indemnification shall give the other Party written notice of such claim or action within fifteen (15) days of the commencement of, or actual knowledge of, such claim or action. Such Party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The Party seeking indemnification shall not compromise or settle any such claim or action without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

Section 10.3. Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between the Companies and Seller other than that of independent contractors.

ARTICLE 11. ASSIGNMENT

Section 11.1. General Prohibition Against Assignments

Except as provided in Section 11.2 below, neither Party shall assign, pledge or otherwise transfer this Agreement or any right or obligation under this Agreement without first obtaining the other Party's written consent, which consent shall not be unreasonably withheld.

Section 11.2. Exceptions to Prohibition Against Assignments

(a) Seller may, without the Companies' prior written consent, collaterally assign this Agreement in connection with financing arrangements. Seller must, however, provide the Companies with at least (5) days' advance written notice of such collateral assignment.

(b) Either Party may, without the other Party's prior written consent, (i) assign all or a portion of its rights and obligations under this Agreement to any Affiliate or (ii) assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any corporation or other entity with which or into which such Party shall merge or consolidate or to which such Party shall transfer all or substantially all of its assets, provided that such assignee agrees to be bound by the terms thereof and provided, further, that such assignee comply with the credit support requirements set forth in Section 7.6 hereof and such Party is not relieved of any obligation or liability hereunder as a result of such assignment.

ARTICLE 12. SUCCESSORS AND ASSIGNS

This Agreement shall inure to the benefit of and shall be binding upon the Parties hereto and their respective permitted successors and assigns.

ARTICLE 13. FORCE MAJEURE

Section 13.1. Force Majeure Standard

The Parties shall be excused from performing their respective obligations hereunder and shall not be liable in damages or otherwise, if and only to the extent that they are unable to so perform or are prevented from performing by an event of Force Majeure.

Section 13.2. Force Majeure Definition

An event of Force Majeure includes, without limitation, storm, flood, lightning, drought, earthquake, fire, explosion, equipment failure, civil disturbance, labor dispute, act of God or the public enemy, action of a court or public authority (so long as the claiming Party has not applied for or assisted in the application for, and has opposed where and to the extent reasonable, such action), or any other cause beyond a Party's reasonable control (and not a result of the negligence of the claiming Party) and which, by the exercise of due diligence, the claiming Party is unable to overcome or avoid or cause to be avoided, but in each case only if and to the extent that the event directly affects the availability of the transmission or distribution facilities of NEPOOL, the Companies or an Affiliate of the Companies necessary to provide service to the Companies' customers which are taking Standard Offer 1 Service. Events affecting the availability or cost of operating any generating facility shall not be events of Force Majeure. Force Majeure shall not include a Party's decision that the terms of this Agreement are no longer economically favorable to said Party.

Section 13.3. Obligation to Diligently Cure Force Majeure

If any Party shall rely on the occurrence of an event or condition described in Section 13.2, above, as a basis for being excused from performance of its obligations under this Agreement, then the Party relying on the event or condition shall:

1. provide written notice to the other Party as soon as practicable but no longer than five (5) days from the occurrence of the event or condition giving an estimation of its expected duration and the probable impact on the performance of its obligations hereunder;

2. exercise all reasonable efforts to continue to perform its obligations hereunder;

3. expeditiously take action to correct or cure the event or condition excusing performance; provided that settlement of strikes or other labor disputes shall be completely within the sole discretion of the Party affected by such strike or labor dispute;

4. exercise all reasonable efforts to mitigate or limit damages to the other Party to the extent such action will not adversely affect its own interests; and

5. provide prompt notice to the other Party of the cessation of the event or condition giving rise to its excuse from performance.

Section 13.4. Neither Party shall be required to pay for any obligation the performance of which is excused by Force Majeure. No obligations of either party which arose before the Force Majeure occurrence causing the suspension of performance are excused as a result of the occurrence.

ARTICLE 14. WAIVERS

The failure of either Party to insist in any one or more instances upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

ARTICLE 15. REGULATION

Section 15.1. Laws and Regulations

(a) This Agreement and all rights, obligations, and performances of the Parties hereunder, are subject to all applicable Federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction; provided, however, that Seller's performance pursuant to this Agreement shall not constitute or be construed as (i) a dedication of any of Seller's facilities and equipment for the furnishing of electricity to the public generally or (ii) service to the public; and provided further, that Seller

shall not be construed as providing Generation Service nor shall Seller be considered a Competitive Supplier, as such terms are defined in the Companies Standard Offer Service Tariff.

(b) This is a fixed price agreement. The prices for service specified in Section 5.1(b) shall remain in effect for the term of this Agreement and shall not be subject to change through application to FERC pursuant to Section 205 or Section 206 of the Federal Power Act. The Companies' obligation to purchase Wholesale Standard Offer 1 Service at the Price specified herein during the entire Delivery Term shall not be subject to modification, limitation or reduction by reference to the rates the Companies shall be permitted to charge its retail customers. Each Party hereby irrevocably waives the right to seek any change, or to support any application or complaint or action by a governmental authority made seeking a change, in such rates or a change in such terms and conditions, absent the mutual written agreement of the Parties.

(c) Absent the agreement of all Parties to the proposed change, the standard of review for changes to any section of this Agreement specifying the rate(s) or other material economic terms and conditions agreed to by the Parties herein, whether proposed by a Party, a non-party or FERC acting sua sponte, shall be the "public interest" standard of review set forth in United Gas Pipe Line Co. v. Mobile Gas Service Corp., 350 U.S. 332 (1956) and Federal Power Commission v. Sierra Pacific Power Co., 350 U.S. 348 (1956)(the "Mobile-Sierra" doctrine).

Section 15.2. Change in Law or Market Rules

If, during the term of this Agreement, any NEPOOL Rule, Massachusetts statute or other applicable law is terminated or amended in a manner that would eliminate or materially (including economically) alter any rights or obligations of a Party hereunder, the Parties agree to negotiate in good faith to amend this Agreement so as to maintain, as closely as possible, the intent and substance of the allocation of rights and obligations contemplated hereunder. If after a period of thirty (30) days from the date on which a Party provides written notice to the other Party of the need to amend this Agreement, the Parties are unable to reach agreement on such an amendment, the Parties agree to submit the matter to arbitration under the terms of Section 16.2 (regardless of the amount, if any, in controversy) and to seek a resolution of the matter consistent with the above stated intent.

ARTICLE 16. INTERPRETATION, DISPUTE RESOLUTION

Section 16.1. Interpretation

The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of the Commonwealth of Massachusetts. The Parties acknowledge that any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement, and it is the result of joint discussion and negotiation.

Section 16.2. Dispute Resolution

Any dispute between the Companies and Seller arising under or in connection with or relating in any way to this Agreement shall be referred to a senior representative of the Seller

designated by the Seller and a senior representative of the Companies designated by the Companies for resolution on an informal basis as promptly as practicable. In the event the designated senior representatives are unable to resolve the dispute within ten (10) days, or such other period as the Parties may jointly agree upon, to the extent a reasonable estimate of the amount in dispute does not exceed two hundred fifty thousand dollars ($250,000.00), such dispute shall be submitted to arbitration and resolved in accordance with the arbitration procedure set forth in this Section 16.2. The arbitration shall be conducted before a single neutral arbitrator appointed by the Parties. If the Parties fail to agree upon a single arbitrator within ten (10) days of the referral of the dispute to arbitration, the Seller and the Companies shall each choose one arbitrator, who shall sit on a three-member arbitration panel. The two arbitrators so chosen shall within ten (10) days select a third arbitrator to act as chairman of the arbitration panel. In either case, the arbitrators shall be knowledgeable in electric utility matters, including wholesale power transactions and power market issues, and shall not have any current or past substantial business or financial relationships with any party to the arbitration. The arbitrator(s) shall afford each of the Parties an opportunity to be heard and, except as otherwise provided herein, shall generally conduct the arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. There shall be no formal discovery conducted in connection with the arbitration; provided, however, that the Parties shall exchange witness lists and copies of any exhibits that they intend to utilize in their direct presentations at any hearing before the arbitrator(s) at least ten (10) days prior to such hearing, along with any other information or documents specifically requested by the arbitrator(s) prior to the hearing. Unless otherwise agreed, the arbitrator(s) shall render a decision within ninety (90) days of his, her or their appointment and shall notify the Parties in writing of such decision and the reasons therefore, and shall make an award apportioning the payment of the costs and expenses of arbitration among the Parties; provided, however, that each Party shall bear the costs and expenses of its own attorneys, expert witnesses and consultants. The arbitrator(s) shall be authorized only to interpret and apply the provisions of this Agreement and shall have no power to modify or change any of the above in any manner. The decision of the arbitrator(s) shall be final and binding upon the Parties, and judgment on the award may be entered in any court having jurisdiction. The decision of the arbitrator(s) may be appealed solely on the grounds that the conduct of the arbitrator(s), or the decision itself, violated the standards set forth in the Federal Arbitration Act and/or the Administrative Dispute Resolution Act. Unless the Parties otherwise agree, and except as otherwise provided herein, where a reasonable estimate of the amount in dispute is in excess of two hundred fifty thousand dollars ($250,000), such dispute shall not be submitted to arbitration under this provision, and the Parties shall be free to pursue their rights with respect thereto in judicial proceedings or as otherwise may be provided for under applicable law.

ARTICLE 17. SEVERABILITY

Except to the extent provided in Section 15.2, any provision declared or rendered unlawful by any applicable court of law or regulatory agency or deemed unlawful because of a statutory change will not otherwise affect the remaining provisions and lawful obligations that arise under this Agreement. If any provision of this Agreement, or the application thereof to any Party or any circumstance, is invalid or unenforceable, (a) a suitable and equitable provision shall be substituted therefor in order to carry out, so far as may be valid and enforceable, the intent and purpose of such invalid or unenforceable provision, and (b) the remainder of this

Agreement and the application of such provision or circumstances shall not be affected by such invalidity or unenforceability.

ARTICLE 18. MODIFICATIONS

No modification to this Agreement will be binding on any Party unless it is in writing and signed by all Parties.

ARTICLE 19. SUPERSESSION

This Agreement constitutes the entire agreement between the Parties relating to the subject matter hereof and its execution supersedes any other agreements, written or oral, between the Parties concerning such subject matter.

ARTICLE 20. COUNTERPARTS; FURTHER ASSURANCES

Section 20.1. Counterparts

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument.

Section 20.2. Further Assurances

Each Party shall prepare, execute and deliver to the other Party upon request any documents reasonably required to implement any provision hereof.

ARTICLE 21. HEADINGS

Article and Section headings used throughout this Agreement are for the convenience of the Parties only and are not to be construed as part of this Agreement.

ARTICLE 22. AUDIT RIGHTS

Each Party or any third party representative of a Party shall have the right, at its sole expense, to examine the records of the other Party pertaining to this Agreement during normal business hours upon reasonable notice. Any information gathered during such examination shall be kept confidential by the discovering Party and/or its third party representative unless and to the extent such Party is required to disclose such information by action of a court or other government authority or only to those of its employees, consultants, authorized representatives, and attorneys having a "need to know" such information to carry out their functions in connection with this Agreement who have agreed to keep such information confidential. Audit rights shall extend for a period of twenty-four (24) months after the end of the calendar month in question, or until any dispute regarding such records is resolved. The Party being audited shall fully cooperate with any such audit. If any such examination shall reveal, or if either Party discovers any error or inaccuracy in its own or in the other Party's statements, invoices, payments, calculations or determinations, then adjustments and corrections shall be made as promptly as practicable thereafter. Each Party shall keep such records stored and maintained for the period provided in this Article 22 for audit rights.

ARTICLE 23. CONFIDENTIALITY

Neither Seller nor the Companies shall provide copies of this Agreement, nor any of the information contained in Section 7.6 and Appendix C hereto (collectively, the "Confidential Terms"), to any Third Party without the prior written consent of the other party; provided, however, that either Party, or any of its affiliates, may provide copies or information regarding this Agreement without limitation to any regulatory agency requesting and/or requiring such information and Seller may provide copies or information regarding this Agreement to its suppliers; provided, further, that any such disclosure must include a request for confidential treatment of the Agreement and/or the redaction of the Confidential Terms from the copies of the Agreement which are placed in the public record or otherwise made available to third parties or Seller's suppliers. Notwithstanding any law or regulation to the contrary, a party may disclose this Agreement to its Affiliates as necessary to effectuate and implement its terms.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

MASSACHUSETTS ELECTRIC COMPANY

_____

By: Robert H. McLaren
Its: Senior Vice President

NANTUCKET ELECTRIC COMPANY

_____

By: Robert H. McLaren
Its: Senior Vice President

CONSTELLATION POWER SOURCE, INC.

_____

By: Thomas V. Brooks
Its: President

APPENDIX A
ESTIMATION OF SELLER'S HOURLY LOADS

Overview

Generating units operated by suppliers are dispatched by the ISO to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units are net sellers of electricity to the ISO, while other suppliers are purchasing power from the ISO to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier. The Companies will estimate Seller's Wholesale Standard Offer 1 Service load obligations within the Companies' service territories and report the hourly results to the ISO on a daily basis.

The estimation process is a cost effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles of the Companies' ultimate customers that will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers are available, they will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads shall match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. The following is an outline of this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research database.

- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.

- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.

- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

- Adjust the preliminary hourly supplier estimates so that their sum is equal to the Companies' actual hourly metered loads (as metered at the point of delivery to the

distribution system) by allocating any differences to suppliers in proportion to their estimated load.

- Adjust the hourly supplier estimates to include transmission losses.
- Submit the hourly loads to the ISO.

After the Companies has submitted the supplier hourly loads, the ISO will allocate PTF losses to the supplier's account during the settlement process.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. The actual customer meter readings, as well as actual interval data for the largest customers, are used to re-estimate all of the days in the calendar month being reconciled. Updates to customers' account status and supplier assignments that may have been missed during the daily processing (due to timing) are included. The sum of the resulting loads over the days in the month is reported and used by the ISO as the basis for a monthly adjustment.

APPENDIX B
STANDARD OFFER SERVICE FUEL ADJUSTMENT PROVISION

The Companies shall pay additional amounts, if any, to Seller in accordance with the Standard Offer Service Fuel Adjustment Provision which is calculated as follows:

The Stipulated Price that is in effect for a given billing month will be multiplied by a "Fuel Adjustment" that is set equal to 1.0 and thus has no impact on the rate paid to Seller unless the "Market Gas Price" plus "Market Oil Price" for the billing month exceeds the "Fuel Trigger Point" then in effect, where:

The Stipulated Price is the following predetermined, flat rate for energy consumed at the customer meter point:

Calendar Year	Price per Kilowatt hour
2002	4.2 cents
2003	4.7 cents
2004	5.1 cents

Seller will be paid the difference between the Stipulated Price as adjusted in accordance with the Standard Offer Service Fuel Adjustment Provision and the Stipulated Price for each kilowatt-hour Seller provides in the applicable month.

Market Gas Price is the average of the values of "Gas Index" for the most recent available twelve months, where:

Gas Index is the average of the daily settlement prices for the last three days that the NYMEX Contract (as defined below) for the month of delivery trades as reported in the "Wall Street Journal", expressed in dollars per MMBtu. NYMEX Contract shall mean the New York Mercantile Exchange Natural Gas Futures Contract as approved by the Commodity Futures Trading Commission for the purchase and sale of natural gas at Henry Hub;

Market Oil Price is the average of the values of "Oil Index" for the most recent available twelve months, where:

Oil Index is the average for the month of the daily low quotations for cargo delivery of 1.0% sulfur No. 6 residual fuel oil into New York harbor, as reported in "Platt's Oilgram U.S. Marketscan" in dollars per barrel and converted to dollars per MMBtu by dividing by 6.3; and

If any of the indices referred to above are discontinued or reconstituted in such a manner as to render them unusable for the purposes intended by the Parties, the Parties shall meet and negotiate in good faith so as to agree upon the filing with the FERC of an alternate index that most closely reflects the intent of the Parties in the selection and use of the original index; provided, that in the event the Parties shall have failed to agree on such an alternate index within thirty (30) days

of the commencement of such negotiations, the Companies shall be entitled to file with the FERC an alternate index that the Companies' believe most closely reflects the intent of the Parties in the selection and use of the original index; provided further, however, that Seller shall be entitled to dispute the Companies' selection of the alternate index by filing a challenge with respect thereto at the FERC and the Parties hereby agree that the FERC shall be empowered hereby to determine the resolution of such dispute.

Fuel Trigger Point is the following amounts, expressed in dollars per MMBtu, applicable for all months in the specified calendar year:

2002	$ 6.09
2003	$ 7.01
2004	$ 7.74

In the event that the Fuel Trigger Point is exceeded, the Fuel Adjustment value for the billing month is determined based according to the following formula:

$$\text{Fuel Adjustment} = \frac{(\text{Market Gas Price} + \$.60/\text{MMBtu}) + (\text{Market Oil Price} + \$.04/\text{MMBtu})}{\text{Fuel Trigger Point} + \$.60 + \$.04/\text{MMBtu}}$$

Where:

Market Gas Price, Market Oil Price and Fuel Trigger Point are as defined above. The values of $.60 and $.04/MMBtu represent for gas and oil respectively, estimated basis differentials or market costs of transportation from the point where the index is calculated to a proxy power plant in the New England market.

APPENDIX C
GUARANTY

IN CONSIDERATION of and in order to induce the extension of credit from MASSACHUSETTS ELECTRIC COMPANY and NANTUCKET ELECTRIC COMPANY (together, the "Companies") to CONSTELLATION POWER SOURCE, INC. ("Obligor"), CONSTELLATION ENERGY GROUP, INC. (the "Guarantor") hereby unconditionally guarantees the full and faithful timely payment of all of the obligations of Obligor that are now due or may hereafter become due and payable under and pursuant to that certain Power Supply Agreement, dated as of August 23, 2002, by and between Obligor and the Companies (collectively, the "Obligations").

This Guaranty shall be a continuing guaranty of payment and not of collection. This Guarantee is a primary obligation of Guarantor and, except as otherwise explicitly set forth herein, shall be construed as an unconditional, absolute and continuing guarantee, irrespective of the validity or enforceability of the Agreement or any other guaranteed amount, the absence of any action to enforce the same or any circumstances which might otherwise constitute a legal or equitable discharge or defense of a guarantor. It shall remain in full force and effect until the earlier of (i)_____or (ii) fifteen (15) days following written notice from Guarantor to the Companies. However, termination of this Guaranty shall not affect Guarantor's liability to the Companies under this Guaranty with respect to Obligations which have accrued prior to the effective date of such termination. The maximum aggregate liability of Guarantor under this Guaranty is limited to the amount of _____ ($_____.00).

If Obligor fails to pay the Obligations and the Companies have elected to exercise their rights under this Guaranty, then the Companies shall make a demand upon Guarantor (hereinafter referred to as a "Payment Demand"). A Payment Demand shall be in writing and shall reasonably and briefly specify in what manner and what amount Obligor has failed to pay and an explanation of why such payment is due, with a specific statement that the Companies are calling upon Guarantor to pay under this Guaranty. The Payment Demand shall also include the bank account and wire transfer information to which the funds should be wire transferred. A Payment Demand satisfying the foregoing requirements shall be deemed sufficient notice to Guarantor that payment is due under the Obligations. A single written Payment Demand shall be effective as to any specific default during the continuance of such default, until Obligor or Guarantor has cured the default, and additional written demands concerning such default shall not be required until such default is cured. Upon receipt of such Payment Demand, Guarantor shall cause to pay or to be repaid to the Companies via wire transfer of funds, free of any deductions or withholdings, all Obligations due to the Companies pursuant to this Guaranty within ten (10) days after receiving such Payment Demand from the Companies.

Guarantor shall not be discharged or released from its obligations hereunder by any proceeding, voluntary or involuntary, involving the bankruptcy, insolvency, receivership, reorganization, liquidation or arrangement of Obligor or by any defense which Obligor may have by reason of the order, decree or decision of any court or administrative body resulting from any such proceeding. If at any time any payment of any of the Obligations is rescinded or must otherwise be restored or returned upon the insolvency, bankruptcy or reorganization of Obligor or otherwise, the Guarantor's obligations hereunder with respect to such payment shall be at such

time as though such payment had not been made. The Guarantor reserves the right to assert defenses which Obligor may have to payment of any Obligation other than defenses arising from the bankruptcy or insolvency of Obligor and other defenses expressly waived hereby.

In the event the Companies engage in litigation to enforce this Guaranty, Guarantor agrees to pay, in addition to any amounts which Guarantor has otherwise agreed to pay hereunder, any and all costs and expenses reasonably incurred by the Companies (including reasonable attorney's fees) in enforcing this Guaranty.

Guarantor hereby waives notice of acceptance of this Guaranty and notice of any obligation or liability to which it may apply, and waives presentment, demand for payment, protest, notice of dishonor or non-payment of any such obligation or liability, suit or the taking of action by the Companies against, and any other notice to Obligor, Guarantor or others.

Guarantor hereby represents and warrants that: (i) it is a corporation duly organized, validly existing, and in good standing under the laws of the State of Maryland and has the corporate power and authority to execute, deliver and carry out the terms and provisions of this Guaranty; (ii) no authorization, approval, consent or order of, or registration or filing with any court or other governmental body having jurisdiction over Guarantor is required on the part of Guarantor for the execution and delivery of this Guaranty; and (iii) Guarantor has duly executed and delivered this Guaranty and this Guaranty constitutes a valid and legally binding obligation of Guarantor, except as the enforceability of this Guaranty may be limited by the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and by general principles of equity.

No term or provision of this Guarantee shall be amended, modified, altered, waived, or supplemented except in a writing signed by the parties hereto.

This Guarantee embodies the entire agreement and understanding between Guarantor and Companies and supersedes any and all other agreements or understandings relating to the subject matter hereof. Guarantor may not assign this Guarantee without prior consent of the other party, which may not be unreasonably withheld.

Except as to applicable statutes of limitation, no delay of the Companies in the exercise of, or failure to exercise, any rights hereunder shall operate as a waiver of such rights, a waiver of any other rights or a release of Guarantor from any obligations hereunder.

Communications made by personal delivery, or by mail shall be effective upon actual receipt. Communications made by telecopier shall be effective upon actual receipt if received during the recipient's normal business hours, or at the beginning of the recipient's next business day after receipt if not received during the recipient's normal business hours.

All communications to the Companies shall be directed to:

Mr. Michael J. Hager
Director, Energy Supply New England
National Grid USA Service Company, Inc.
55 Bearfoot Road
Northboro, MA 01532
(508) 421-7350
(508) 421-7335 (fax)

or such other address as the Companies shall from time to time specify to Guarantor.

All communications to Guarantor shall be directed to:

Constellation Energy Group, Inc.
Attn: Thomas E. Ruszin, Jr.
750 E. Pratt Street, 17th Flr.
Baltimore, Maryland 21202
Phone: (410) 783-3610
Fax: (410) 783-3619

With a copy to be provided to Obligor at the following addresses:

Constellation Power Source, Inc.
111 Market Place, Suite 500
Baltimore, MD 21202
Attn: Head of Operations with a copy to General Counsel
(410) 468-3490
(410) 468-3540 (fax)

or such other address as Guarantor shall from time to time specify to the Companies.

The Companies shall keep the existence and the terms of this Guaranty confidential and shall only disclose the existence of this Guaranty to those officers, directors and employees and agents who have a need to know and who agree to keep the existence and terms of this Guaranty confidential; provided, however, that the Companies may provide copies or information regarding this Guaranty without limitation to any regulatory agency requesting and/or requiring such information; provided, further, that any such disclosure must include a request for confidential treatment of this Guaranty. The Companies shall be responsible for any breach of this confidentiality provision by its officers, directors and employees and agents.

THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK, DISREGARDING, HOWEVER, ANY CONFLICT OF LAWS PROVISIONS.

If any one or more provisions of this Guaranty shall for any reason or to any extent be determined invalid or unenforceable, all other provisions shall, nevertheless, remain in full force and effective.

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IN WITNESS WHEREOF, Guarantor has duly executed this Guaranty on this _____day of _____, 2002.

Guarantor:

By: _____
Name: _____
Title: _____

Schedule 8.1(b)

Consents and Approvals

A. Of the Companies:

1. Consent or approval of this Agreement by the M.D.T.E.

2. Consent or approval of the FERC to the joint application of Seller and the Other Supplier under Section 203 of the Federal Power Act for approval to transfer to Seller the Other Supplier's rights and obligations to supply ten percent (10%) of (i) the metered requirements of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory plus (ii) the requirements of unmetered facilities of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory for which reasonable estimates of kWh usage are available.

B. Of the Seller

1. Consent or Approval of the FERC to the joint application of Seller and the Other Supplier under Section 203 of the Federal Power Act for approval to transfer to Seller the Other Supplier's rights and obligations to supply ten percent (10%) of (i) the metered requirements of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory plus (ii) the requirements of unmetered facilities of the Companies' ultimate customers taking Standard Offer 1 Service in the Companies' Service Territory for which reasonable estimates of kWh usage are available.

ATTACHMENT B

USGenNE Agreement

including

Second Amended and
Restated Wholesale
Standard Offer Service
Agreement dated
September 1, 1998

and

December 1999 Amendment

SECOND
AMENDED AND RESTATED
WHOLESALE STANDARD OFFER SERVICE AGREEMENT

WHOLESALE STANDARD OFFER
SERVICE AGREEMENT

among

MASSACHUSETTS ELECTRIC COMPANY,

NANTUCKET ELECTRIC COMPANY,

and

USGEN NEW ENGLAND, INC.

Dated as of September 1, 1998

SECOND AMENDED AND RESTATED WHOLESALE

STANDARD OFFER SERVICE AGREEMENT

This **SECOND AMENDED AND RESTATED WHOLESALE STANDARD OFFER SERVICE AGREEMENT** ("Agreement") is dated as of September 1, 1998 and is by and among MASSACHUSETTS ELECTRIC COMPANY, a Massachusetts corporation, NANTUCKET ELECTRIC COMPANY, a Massachusetts corporation (these two parties being referred to collectively as "MECO"), and USGen New England, Inc., a Delaware corporation ("Seller"), and amends and restates and supersedes in its entirety the Amended and Restated Wholesale Standard Offer Service Agreement dated as of October 29, 1997 between MECO and Seller. This Agreement provides for the purchase by MECO and the sale by Seller of Wholesale Standard Offer Service, as defined in this Agreement.

ARTICLE 1. BASIC UNDERSTANDINGS

MECO purchases all of its requirements of electricity for resale to its retail electric customers from its affiliate, New England Power Company ("NEP").

NEP, MECO and other parties have entered into an agreement in settlement of regulatory proceedings before the Federal Energy Regulatory Commission and the Massachusetts Department of Public Utilities (the "Massachusetts Restructuring Agreement") that, among other things, permits MECO to terminate wholesale purchases from NEP, permits current retail customers of MECO to purchase electricity from other suppliers on and after a date defined therein as the "Retail Access Date," or, for a limited time, to purchase Standard Offer Service from MECO, obligates NEP to supply MECO with power sufficient to meet the latter's obligations to supply Standard Offer Service, and obligates NEP to transfer its interests in the electric generating business to another party or parties.

NEP and Seller have entered an agreement under which Seller will acquire certain NEP generating assets.

NEP and Seller desire that Seller shall supply electric capacity and energy to MECO to fulfill a portion of NEP's power supply obligations under the Massachusetts Restructuring Agreement.

Under the Massachusetts Restructuring Agreement, MECO is obligated to afford wholesale power suppliers other than NEP the opportunity to commit to supply MECO with power sufficient to meet MECO's obligation to supply retail Standard Offer Service after the Retail Access Date.

This Agreement sets forth the terms under which Seller will supply Wholesale Standard Offer Service to MECO, for a period beginning on the Closing Date, to enable MECO to meet the needs of its retail customers for electricity, including all or a portion of the needs of customers receiving retail Standard Offer Service after the Retail Access Date.

ARTICLE 2. DEFINITIONS

The following words and terms shall be understood to have the following meanings when used in this Agreement, or in any associated documents entered into in conjunction with this Agreement. In addition, except as otherwise expressly provided, where terms used in this Agreement are defined in the NEPOOL Agreement and not otherwise defined herein, such definitions are expressly incorporated into this Agreement by reference.

Affiliate of MECO - Any company that is a subsidiary of New England Electric System and its successors.

Closing Date - The date upon which the Seller acquires ownership of generating assets it purchases from NEP.

Commission or FERC - The Federal Energy Regulatory Commission or such successor federal regulatory agency as may have jurisdiction over this Agreement.

Contract Termination Date - The date established by the Massachusetts Restructuring Agreement when the respective obligations of NEP and MECO under NEP's FERC Electric Tariff, Original Volume No. 1, to sell and purchase wholesale electric requirements service shall cease. The Contract Termination Date occurred on March 1, 1998

Department - The Massachusetts Department of Telecommunications and Energy, formerly named the Massachusetts Department of Public Utilities.

GWh - Gigawatt hour.

ISO - The Independent System Operator to be established in accordance with the NEPOOL Agreement and the Interim Independent System Operator Agreement as amended, superseded or restated from time to time.

kWh - Kilowatt- hour.

Massachusetts Restructuring Agreement - The Offer of Settlement dated May 28, 1997, entered into by and among the Office of the Attorney General of Massachusetts, American National Power, American Tractebel Corporation, Conservation Law Foundation, Division of Energy Resources, KCS Power Marketing, Inc., Low-Income Intervenors, Massachusetts Community Action Directors Association, Massachusetts Energy Directors Association, Massachusetts High Technology Council, Northeast Energy and Commerce Association, Northeast Energy Efficiency Council, Inc., The Energy Consortium, Union of Concerned Scientists, U.S. Generating Company, Massachusetts Electric Company and Nantucket Electric

Company, and New England Power Company, as amended and accepted or approved by the Department and the FERC.

MECO's Service Territory - The geographic area in which MECO provided electric service to retail customers on August 6, 1996.

MECO's System - The electrical system of MECO and/or the electrical system of any Affiliate of MECO.

MMBtu - Million British thermal units.

NEP - New England Power Company, an Affiliate of MECO.

NEPEX - The New England Power Exchange.

NEPOOL - The New England Power Pool.

NEPOOL Agreement - The New England Power Pool Agreement dated as of September 1, 1971, as amended and as may be amended or restated from time to time.

Price - The price set forth in SECTION 5.1, below.

Prime Rate - The prime (or comparable) rate announced from time to time as its prime rate by the Bank of Boston or its successor, which rate may differ from the rate offered to its more substantial and creditworthy customers.

PTF - Facilities categorized as Pool Transmission Facilities under the NEPOOL Agreement.

Retail Access Date - The date so defined under the Massachusetts Restructuring Agreement. The Retail Access Date occurred on March 1, 1998.

Standard Offer Auction - The solicitation by MECO of offers from wholesale power suppliers, including, at their option, NEP and Seller, of electric energy and associated capacity and ancillary services necessary to meet the needs of ultimate customers of MECO eligible for and accepting retail Standard Offer Service on or after the Retail Access Date, and any wholesale electric supply contracts resulting from that solicitation. The solicitation and any contract(s) entered into as a result thereof shall not be on terms that are materially different from those described by MECO in the Massachusetts Restructuring Agreement, the RFQ dated April 3, 1997, and the letter to potential asset purchasers dated June 16, 1997, or result in a material adverse impact on Seller. MECO shall not, without Seller's consent, conduct the Standard Offer Auction more than once or more than six (6) months prior to and in no event later than the Retail Access Date, which date shall be as reasonably determined by MECO.

Standard Offer Service - The electric service provided by MECO pursuant to the Massachusetts Restructuring Agreement: (i) to retail customers in MECO's Service Territory during the period, if any, during the term of this Agreement preceding the Retail Access Date; and (ii) to all of MECO's retail customers on the Retail Access Date that do not elect to obtain their electric supply from an alternative supplier on or after the Retail Access Date through December 31, 2004.

Wholesale Access Date - The date so defined under the Massachusetts Restructuring Agreement, as the date on which MECO in its sole discretion decides to terminate its purchase from NEP of wholesale requirements service pursuant to NEP's FERC Electric Tariff, Original Volume No. 1, by providing the Commission and the Signatories to the Massachusetts Restructuring Agreement with 90 days advance notice in writing, said date not to be earlier than January 1, 1998.

Wholesale Standard Offer Service - The generation and delivery, to any location on the NEPOOL PTF system or MECO's system, of the portion of the electric capacity, energy and ancillary services required by MECO to meet the needs of MECO's ultimate customers taking Standard Offer Service, excluding, after the Retail Access Date, any portion of such requirements that MECO obtains or has contracted to obtain through the Standard Offer Auction, determined in accordance with ARTICLE 4. Seller, as the supplier of Wholesale Standard Offer Service capacity and energy, will be responsible for all present, or future requirements and associated costs for installed capability, operable capability, energy, operating reserves, automatic generation control, including tie benefit payments, losses and any congestion charges associated with Seller's supply of Wholesale Standard Offer Service and any other requirements imposed by NEPOOL or the ISO, as they may be in effect from time to time. To the extent that any NEPOOL, ISO or any successor entity expenses or uplift costs are allocated to wholesale suppliers, the portion of such costs associated with Seller's supply of Standard Offer Service will also be the responsibility of Seller. To the extent any costs contemplated by this paragraph are applicable to MECO and recoverable by MECO from its customers, MECO shall be responsible for such costs.

ARTICLE 3. TERM AND REGULATORY APPROVAL

3.1 Term

The term of this Agreement shall begin at 12:01 am on the Closing Date and continue until the earlier of: (a) 11:59 p.m. on December 31, 2004; or (b) the first date that MECO has no requirements for electric capacity and energy to supply Standard Offer Service that are not satisfied by contracts resulting from the Standard Offer Auction.

3.2 Obtaining and Maintaining Required Permits

(a) Performance under this Agreement is conditioned upon all Parties securing and maintaining such federal, state or local approvals, grants or permits as may be necessary for the sale and purchase of Wholesale Standard Offer Service, which shall not include any approvals, grants, or permits necessary for the operation of any particular generating facility. Each Party shall use reasonable efforts to acquire and maintain such approvals, grants or permits. If the acquisition or maintenance of a particular approval, grant, or permit requires a modification to this Agreement, then the Parties agree to negotiate in good-faith to reach a mutually agreeable modification of the Agreement. The Parties are not required to reach such a mutually acceptable modification.

(b) Seller will file this Agreement with FERC (and any other regulatory agency as may have jurisdiction over the Agreement) in accordance with the provisions of applicable laws, rules and regulations. Seller will be responsible for any filing fees for filing this Agreement with FERC (and any other regulatory agency as may have jurisdiction over the Agreement) and for any regulatory assessments associated with sales under this Agreement. FERC approval of this Agreement shall be a condition to the obligations of the Parties hereunder.

ARTICLE 4. SALE AND PURCHASE

4.1 Wholesale Standard Offer Service

Seller shall sell and deliver to the Delivery Points, as defined in ARTICLE 6, SECTION 6.1, and MECO shall purchase 90.78% of MECO's requirements for Wholesale Standard Offer Service. MECO's requirements for Wholesale Standard Offer Service shall be determined on the basis of ARTICLE 6, SECTION 6.3, below, and the price for such sale and purchase shall be as set forth in ARTICLE 5, SECTION 5.1, below.

4.2 Dispatchable Load Credits

Seller shall have the right, but not the obligation, to elect to purchase a portion of the peak load reduction credits, if any, as provided for in NEPOOL Criteria, Rules and Standards No. 16, associated with MECO's retail customers which are taking Standard Offer Service and which are taking service under MECO's Cooperative Interruptible Service Provision (as defined in MECO's tariffs on file with the Department) ("Dispatchable Load Credits"), during the period commencing at 0001 hours on the Closing Date and ending at 2400 hours on December 31, 2000 (the "Option Period"). Seller may purchase such credits for any, all, or any combination of calendar months during the Option Period.

In order to receive such credits, Seller shall provide MECO with written notice of such election at least seven days prior to the requested start date. Such notice shall include: (i) the requested start date, which shall be the first day of a calendar month, (ii) the requested end date, which shall be the last day of a calendar month, and (iii) the fixed amount per month of

Dispatchable Load Credits (the "Seller's Election"), which shall not exceed 90.78% of the minimum load reduction actually experienced by MECO during the most recent 12 month period, excluding for such period months in which interruptions occurred ("Load Reductions").

In the event Seller does not provide a timely notice of election for any month, Seller's Election for such month will be presumed to be zero (0) kilowatts.

MECO will provide Seller during each month of this Agreement with a report on (i) the quantity of Load Reductions for the preceding month and (ii) the number of customers (and associated nominal interruptible load), if any, which ceased taking service under MECO's Cooperative Interruptible Service Provision during the preceding month.

ARTICLE 5. PRICE AND BILLING

5.1 Price

(a) For each kilowatt hour of Wholesale Standard Offer Service that Seller delivers to the Delivery Points, in accordance with ARTICLE 6, SECTION 6.3, below, MECO shall pay Seller a price equal to the following amounts for each period during the term of this Agreement:

Period	Price in Cents per kWh
1998	3.2 Cents
1999	3.5 Cents
2000	3.8 Cents
2001	3.8 Cents
2002	4.2 Cents
2003	4.7 Cents
2004	5.1 Cents

In addition, in the event of substantial increases in the market price of No. 6 residual fuel oil (1% sulphur) and natural gas after 1999 as described in Appendix A, MECO shall pay Seller additional amounts in accordance with the Standard Offer Fuel Adjustment Provision, described in Appendix A, attached and incorporated herein by reference.

(b) For any month in which Seller elects to receive Dispatchable Load Credits, in accordance with ARTICLE 4, SECTION 4.2, for each kilowatt of Seller's Election, MECO shall be entitled to a reduction in the amount owed to Seller by MECO pursuant to paragraph (a)

above at a value calculated pursuant to the second paragraph of ARTICLE 5, SECTION 5.2 using the following rates ("Option Price"):

Month Of Transfer	Option Price in Dollars per KW Month
January, February, July,August, September, December	$3.125
March, April, May, June, October, November	$1.875

5.2 Payment

(a) On or before the tenth (10th) day of each month during the term of this Agreement, MECO shall: (i) calculate the amount due and payable to Seller pursuant to this ARTICLE 5 with respect to the preceding month; and (ii) advise Seller of the schedule upon which it shall pay the amount so calculated, which schedule shall comply with paragraph (b), below.

The amount payable shall be calculated by (i) multiplying the Price specified in the first paragraph of ARTICLE 5, SECTION 5.1, above, for the applicable Contract Period by the quantity of Wholesale Standard Offer Service delivered by Seller to the Delivery Points for MECO's Standard Offer Service customers in the month, as determined in accordance with ARTICLE 6, SECTION 6.3, below and then subtracting the result obtained by (ii) multiplying the Option Price specified in the second paragraph of ARTICLE 5, SECTION 5.1, above, for the applicable month by the Seller's Election for the applicable month, as determined and certified as true and accurate, by Seller.

Because quantities determined under SECTION 6.3 are estimated, subject to a reconciliation process described in SECTION 6.3(d), quantities used in calculations under this paragraph (a) shall be subject to adjustment, whether positive or negative, in subsequent months' calculations, to reflect that reconciliation process, and any adjusted quantities shall be applied to the Price applicable during the month of the calculation being adjusted. Additional amounts due Seller, if any, from the Standard Offer Fuel Adjustment Provision revenue shall be added to such amount.

(b) MECO shall pay Seller any amounts due and payable on or before the twenty-fifth (25th) day after the date a calculation is made pursuant to paragraph (a), provided that, if and to the extent MECO pays Seller any portion of the amount due and payable before the twenty-fifth (25th) day after a calculation is made, it shall be entitled, without interest or penalty, to defer payment of an equal portion of the amount due and payable for that month by the lesser of: (i) the same number of days that the early payment preceded the twenty-fifth day after the calculation; and (ii) twenty-five (25) days. If all or any part of any amount due and payable

pursuant to paragraph (a) shall remain unpaid thereafter, interest shall thereafter accrue and be payable to Seller on such unpaid amount at a rate per annum equal to two percent (2%) above the Prime Rate in effect on the date of such bill; provided, however, if the amount due and payable is disputed, interest shall accrue and be payable to Seller on the unpaid amount finally determined to be due and payable at a rate per annum equal to the Prime Rate in effect on the date of the calculation pursuant to paragraph (a); and provided, further, no interest shall accrue in favor of Seller or MECO on amounts that are added to or credited against a calculation due to the adjustment of estimated quantities in accordance with paragraph (a) and ARTICLE 6, SECTION 6.3.

(c) With respect to reconciliation adjustments pursuant to SECTION 6.3(d) or any error in a calculation (whether the amount is paid or not), any overpayment, underpayment, or reconciliation adjustment will be refunded or paid up, as appropriate. Interest shall accrue from the date of the error or adjustment on the unpaid or overpaid amount finally determined to be due and shall be calculated pursuant to Section 35.19a of the Commission regulations.

5.3 Taxes, Fees and Levies

Seller shall be obligated to pay all present and future taxes, fees and levies which may be assessed upon Seller by any entity upon the purchase or sale of electricity covered by the Agreement. To the extent such taxes, fees, and levies are allowed to be, and are actually, recoverable by MECO from its customers, MECO shall reimburse Seller for such taxes, fees, and levies paid by Seller.

ARTICLE 6. DELIVERY, LOSSES, AND DETERMINATION AND REPORTING OF HOURLY LOADS

6.1 Delivery

All electricity shall be delivered to MECO in the form of three-phase sixty-hertz alternating current at any location on the NEPOOL PTF system or MECO's System ("Delivery Points"). Title shall pass to MECO at the Delivery Point and Seller shall incur no expense or risk beyond the Delivery Point other than those described in SECTION 6.2. If the NEPOOL control area experiences congestion, Seller will be responsible for any congestion costs incurred in delivering power across the PTF system to MECO to the extent such costs are imposed by NEPOOL or the ISO on suppliers. Seller shall be responsible for all transmission and distribution costs associated with the use of transmission systems outside of NEPOOL and any local point to point charges and distribution charges needed to deliver the power to the NEPOOL PTF.

6.2 Losses

Seller shall be responsible for all transmission and distribution losses associated with the delivery of electricity supplied under this Agreement to the meters of ultimate customers of MECO receiving retail Standard Offer Service, provided, however, that losses do not include service to unmetered facilities for which estimates of kWh use are available and provided, further, that Seller shall not be responsible for unmetered use or consumption of electricity by MECO's Affiliates. Seller shall provide MECO at the Delivery Points with additional quantities of electricity and ancillary services to cover such losses, but Seller shall not be entitled to payment under ARTICLE 5 of this Agreement for such additional quantity. The quantities required for this purpose in each hour of a billing period shall be determined in accordance with NEPOOL's, NEP's and MECO's filed procedures for loss determination.

6.3 Determination and Reporting of Hourly Loads

(a) To meet its NEPOOL obligations, Seller, or a NEPOOL member having an own-load dispatch or settlement account with the NEPOOL billing system with whom Seller has a load inclusion agreement, must report to NEPOOL or the ISO the Standard Offer Service load for which Seller is providing Wholesale Standard Offer Service pursuant to this Agreement, including losses. To accomplish this, MECO will estimate its total hourly Standard Offer Service load based upon average load profiles developed for each MECO customer class and MECO's actual total hourly load. Appendix B, attached and incorporated herein by reference, provides a general description of the estimation process that MECO will initially employ (the "Estimation Process"). MECO reserves the right, subject to the approval of appropriate regulatory authorities having jurisdiction, to modify the Estimation Process in the future, provided that any such modification be designed to improve the accuracy of its results and provided further that MECO shall consult with Seller and other similarly situated sellers to the maximum extent permitted by any applicable standards of conduct. MECO will report to NEPOOL, on behalf of Seller or such other NEPOOL member, Seller's hourly Standard Offer Service load, which shall equal the portion of MECO's estimated total Standard Offer Service hourly load for which Seller is responsible for supplying Wholesale Standard Offer Service under this Agreement.

(b) MECO will report to NEPOOL or the ISO Seller's hourly adjusted Standard Offer Service loads by 1:00 p.m. of the second following business day. This adjusted load should be added by NEPOOL or the ISO to the other NEPOOL load of Seller or such other NEPOOL member.

(c) At the end of each month, MECO shall aggregate Seller's hourly loads for the month as determined by the Estimation Process. For purposes of SECTION 5.1, above, the result of the Estimation Process, less losses to the Standard Offer Service customers' meters determined as specified in ARTICLE 6 SECTION 6.2, above, will be deemed to be the quantity of Wholesale Standard Offer Service delivered by Seller to the Delivery Points in a month.

(d) To refine the estimates of Seller's monthly Standard Offer Service load developed by the Estimation Process, a monthly calculation will be performed to reconcile the original

estimate of Seller's Standard Offer Service loads to actual customer usage based on meter reads. MECO will apply any resulting billing adjustment (debit or credit) to Seller's account no later than the last day of the third month following the billing month. Appendix B, attached and incorporated herein by reference, also provides a general description of this reconciliation process.

ARTICLE 7. DEFAULT AND TERMINATION

7.1 Material Breach and Termination

(a) (i) If MECO fails in any material respect to comply with, observe or perform any covenant, warranty or obligation under this Agreement (except due to causes excused by force majeure or attributable to Seller's wrongful act or wrongful failure to act); and

(ii) After receipt of written notice from Seller such failure continues for the Cure Period (as defined below), or, if such failure cannot be reasonably cured within the Cure Period, such further period as shall reasonably be required to effect such cure (except in the case of a payment default), provided that MECO commences within the Cure Period to effect such cure and at all times thereafter proceeds diligently to complete such cure as quickly as possible; then

(iii) Seller shall have the right to terminate this Agreement, subject to paragraph (c) below. For purposes of this Section 7.1(a), the Cure Period shall mean five days in the case of a failure by MECO to fulfill its payment obligations pursuant to Section 5.2 and forty-five (45) days in the case of a failure by MECO to comply with, observe or perform any other covenant, warranty or obligation under this Agreement. If an unexcused failure to pay continues for fifteen (15) days Seller shall have the right to suspend service until payment is made in full and appropriate security is posted for future payments or terminate this Agreement.

(b) (i) If Seller fails in any material respect to comply with, observe, or perform any covenant, warranty or obligation under this Agreement (except due to causes excused by force majeure or attributable to MECO's wrongful act or wrongful failure to act); and

(ii) After receipt of written notice from MECO such failure continues for a period of forty-five (45) days, or, if such failure cannot be reasonably cured within such forty-five (45) day period, such further period as shall reasonably be required to effect such cure, provided that Seller com-

mences within such forty-five (45) day period to effect such cure and at all times thereafter proceeds diligently to complete such cure as quickly as possible; then

(iii) MECO shall have the right to terminate this Agreement, subject to paragraph (c) below.

(c) Any termination arising out of the exercise of the termination rights specified in paragraphs (a) or (b) above (with the exception of termination for a payment default) may not take effect unless and until an arbitrator (pursuant to ARTICLE 14, SECTION 14.2 of this Agreement) has made a ruling that the exercise of such termination right was valid. The fact that one party alleged to be in material breach of this Agreement ("Alleged Breaching Party") complies with the request of the other to cure an alleged material breach shall not be considered by the arbitrator as an admission against the Alleged Breaching Party or evidence that such party was or was not in material breach.

(d) Nothing in this SECTION 7.1 shall be construed to limit the right of any party to seek any remedies for damages, as limited by ARTICLE 9 of this Agreement, even if a cure of an alleged breach is made within the periods of time specified for curing any such breach stated above. The provisions of this SECTION 7.1 are intended only to provide the exclusive process through which one party may exercise and effectuate its right to terminate this Agreement as a result of a material breach of this Agreement.

ARTICLE 8. NOTICES, REPRESENTATIVES OF THE PARTIES

8.1 Notices

Any notice, demand, or request required or authorized by this Agreement to be given by one party to another party shall be in writing. It shall either be sent by facsimile (confirmed by telephone), overnight courier, personally delivered and acknowledged in writing or by registered or certified mail, (return receipt requested) postage prepaid, to the representative of the other party designated in this ARTICLE 8. Any such notice, demand, or request shall be deemed to be given (i) when sent by facsimile confirmed by telephone, (ii) when actually received if delivered by courier or personal deliver or (iii) three (3) days after deposit in the United States mail, if sent by first class mail.

Notices and other communications by Seller to MECO shall be addressed to:

Michael J. Hager
New England Power Service Company
25 Research Drive
Westborough MA 01582

Fax (508) 389-2463

Notices and other communications by MECO to Seller shall be addressed to:

USGen New England, Inc.
7500 Old Georgetown Road, 13th Floor
Bethesda, MD 20814
Attention: Stephen A. Herman, Esq.
Fax: (301) 718-6913

Any party may change its representative by written notice to the others.

8.2 Authority of Representative

The parties' representatives designated in ARTICLE 8, SECTION 8.1 shall have full authority to act for their respective principals in all technical matters relating to the performance of this Agreement. They shall not, however, have the authority to amend, modify, or waive any provision of this Agreement unless they are authorized officers of their respective entities.

ARTICLE 9. LIABILITY, INDEMNIFICATION, AND RELATIONSHIP OF PARTIES

9.1 Limitation on Consequential, Incidental and Indirect Damages

To the fullest extent permissible by law, neither MECO nor Seller, nor their respective officers, directors, agents, employees, parent or affiliates, successor or assigns, or their respective officers, directors, agents, or employees, successors, or assigns, shall be liable to the other party or its parent, subsidiaries, affiliates, officers, directors, agents, employees, successors or assigns, for claims, suits, actions or causes of action for incidental, indirect, special, punitive, multiple or consequential damages (including attorney's fees or litigation costs) connected with or resulting from performance or non-performance of this Agreement, or any actions undertaken in connection with or related to this Agreement, including without limitation any such damages which are based upon causes of action for breach of contract, tort (including negligence and misrepresentation), breach of warranty, strict liability, Massachusetts Gen. Laws ch 93A, statute, operation of law, or any other theory of recovery. The provisions of this SECTION 9.1 shall apply regardless of fault and shall survive termination, cancellation, suspension, completion or expiration of this Agreement.

9.2 Recovery of Direct Damages Permitted

Notwithstanding the provisions of ARTICLE 9, SECTION 9.1, subject to the duty to mitigate damages as provided under common law of damages recovery, both MECO and Seller

shall be entitled to recover their actual, direct damages (i) incurred as a result of the other party's breach of this Agreement or (ii) incurred as a result of any other claim arising out of any action undertaken in connection with or related to this Agreement. For purposes of avoiding any disputes about the difference between direct damages and consequential damages, the parties agree as follows:

(a) (1) To the extent that MECO is found to be in breach of this Agreement or liable under another cause of action; and

(2) as a result of such breach or event giving rise to the cause of action, Seller suffers loss of profits that Seller reasonably expected to have received from MECO under this Agreement had MECO performed under this Agreement; then

(3) Seller shall be entitled to recover any lost profits that Seller can demonstrate it lost or will lose as a result of MECO's breach, subject to the duty to mitigate.

(b) (1) To the extent that Seller fails to provide MECO Wholesale Standard Offer Service Power under the terms of this Agreement; and

(2) as a result, Seller is found to be in material breach of this Agreement or liable under another cause of action; and

(3) subject to the duty to mitigate, MECO purchases (as a result of Seller's failure) power from a third party at a price that is higher than what MECO would have paid under the terms of this Agreement, MECO may recover the difference between the price MECO paid to such third party and the price it would have paid had Seller performed; provided, however, Seller shall not be liable to MECO for lost profits associated with any expected revenue streams from the sale of power to third parties or lost profits from any other contracts or sales.

(c) Except as provided in paragraphs (a) and (b) above, neither MECO nor Seller shall be liable to the other for lost profits arising out of performance, or non-performance of this Agreement, whether such lost profits may be categorized as direct, incidental, indirect, or consequential damages and irrespective of whether such claims are based upon warranty, tort, strict liability, contract, statute (including Mass. G.L. ch 93A), operation of law or otherwise.

9.3 Indemnification

(a) Seller agrees to defend, indemnify and save MECO, its officers, directors, employees, agents, successors, assigns, and Affiliates and their officers, directors, employees, and agents harmless from and against any and all claims, suits, actions or causes of action for

damage by reason of bodily injury, death, or damage to property caused by Seller, its officers, directors, employees, agents or affiliates or caused by or sustained on its facilities, except to the extent caused by an act of negligence or willful misconduct by an officer, director, agent, employee or Affiliate of MECO or their successors or assigns.

(b) MECO agrees to defend, indemnify and save Seller, its officers, directors, employees, agents, successors, assigns, and affiliates and their officers, directors, employees, and agents harmless from and against any and all claims, suits, actions or causes of action for damage by reason of bodily injury, death, or damage to property caused by MECO, its officers, directors, employees, agents or affiliates or caused by or sustained on its facilities, except to the extent caused by an act of negligence or willful misconduct by an officer, director, agent, employee or Affiliate of Seller or their successors or assigns.

(c) If any party intends to seek indemnification under this ARTICLE from the other party with respect to any action or claim, the party seeking indemnification shall give the other party notice of such claim or action within fifteen (15) days of the commencement of, or actual knowledge of, such claim or action. Such party seeking indemnification shall have the right, at its sole cost and expense, to participate in the defense of any such claim or action. The party seeking indemnification shall not compromise or settle any such claim or action without the prior consent of the other party, which consent shall not be unreasonably withheld.

9.4 Independent Contractor Status

Nothing in this Agreement shall be construed as creating any relationship between MECO and Seller other than that of independent contractors for the sale and purchase of electricity provided as Wholesale Standard Offer Service.

ARTICLE 10. ASSIGNMENT

10.1 Assignment

This Agreement and all of the provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns, but neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto, including by operation of law without the prior written consent of the other party, nor is this Agreement intended to confer upon any other Person except the parties hereto any rights or remedies hereunder. Notwithstanding the foregoing, (i) MECO may, without Seller's prior written consent, (A) assign all or a portion of its rights and obligations under this Agreement to any Affiliate of MECO or (B) assign its rights and obligations hereunder, or transfer such rights and obligations by operation of law, to any corporation or other entity with which or into which MECO shall merge or consolidate or to which MECO shall transfer all or substantially all of its assets, provided that such Affiliate or other entity agrees to be bound by

the terms thereof; provided, in either case, that the assignee or transferor shall have senior securities rated investment grade or better; (ii) the Seller may assign all of its rights and obligations hereunder to any wholly owned Subsidiary (direct or indirect) of PG&E Corporation and upon the MECO's receipt of notice from Seller of any such assignment, the Seller will be released from all liabilities and obligations hereunder, accrued and unaccrued, such assignee will be deemed to have assumed, ratified, agreed to be bound by and perform all such liabilities and obligations, and all references herein to "Seller" shall thereafter be deemed references to such assignee, in each case without the necessity for further act or evidence by the parties hereto or such assignee; provided, however, that no such assignment and assumption shall release the Buyer from its liabilities and obligations hereunder unless the assignee shall have acquired all or substantially all of the Buyer's assets; provided, further, however, that no such assignment and assumption shall relieve or in any way discharge PG&E Corporation from the performance of its duties and obligations under the Guaranty dated as of the date of this Agreement executed by PG&E Corporation, and (iii) the Seller or its permitted assignee may assign, transfer, pledge or otherwise dispose of its rights and interests hereunder to a trustee or lending institution(s) for the purposes of financing or refinancing the Purchased Assets, including upon or pursuant to the exercise of remedies under such financing or refinancing, or by way of assignments, transfers, conveyances or dispositions in lieu thereof; provided, however, that no such assignment or disposition shall relieve or in any way discharge the Seller or such assignee from the performance of its duties and obligations under this Agreement. MECO agrees to execute and deliver such documents as may be reasonably necessary to accomplish any such assignment, transfer, conveyance, pledge or disposition of rights hereunder so long as MECO's rights under this Agreement are not thereby altered, amended, diminished or otherwise impaired.

ARTICLE 11. FORCE MAJEURE

11.1 Force Majeure Standard

The parties shall be excused from performing their respective obligations hereunder and shall not be liable in damages or otherwise, if and only to the extent that they are unable to so perform or are prevented from performing by an event of force majeure.

11.2 Force Majeure Definition

An event of force majeure includes, without limitation, storm, flood, lightning, drought, earthquake, fire, explosion, equipment failure, civil disturbance, labor dispute, act of God or the public enemy, action of a court or public authority, or any other cause beyond a party’s control but only if and to the extent that the event directly affects the availability of the transmission or distribution facilities of NEPOOL, MECO or an Affiliate of MECO necessary to deliver Wholesale Standard Offer Service to MECO’s customers. Events affecting the availability or cost of operating any generating facility shall not be events of force majeure.

11.3 Obligation to Diligently Cure Force Majeure

If any party shall rely on the occurrence of an event or condition described in ARTICLE 11, SECTION 11.2, above, as a basis for being excused from performance of its obligations under this Agreement, then the party relying on the event or condition shall:

a. provide written notice to the other parties promptly but in no event later than 5 days of the occurrence of the event or condition giving an estimation of its expected duration and the probable impact on the performance of its obligations hereunder;

b. exercise all reasonable efforts to continue to perform its obligations hereunder;

c. expeditiously take reasonable action to correct or cure the event or condition excusing performance; provided that settlement of strikes or other labor disputes will be completely within the sole discretion of the party affected by such strike or labor dispute;

d. exercise all reasonable efforts to mitigate or limit damages to the other parties to the extent such action will not adversely affect its own interests; and

e. provide prompt notice to the other parties of the cessation of the event or condition giving rise to its excuse from performance.

ARTICLE 12. WAIVERS

The failure of either party to insist in any one or more instance upon strict performance of any of the provisions of this Agreement or to take advantage of any of its rights under this Agreement shall not be construed as a general waiver of any such provision or the relinquishment of any such right, but the same shall continue and remain in full force and effect, except with respect to the particular instance or instances.

ARTICLE 13. REGULATION

13.1 Laws and Regulations

This Agreement and all rights, obligations, and performances of the parties hereunder, are subject to all applicable Federal and state laws, and to all duly promulgated orders and other duly authorized action of governmental authority having jurisdiction.

13.2 NEPOOL Requirements

This Agreement must comply with all NEPOOL Criteria, Rules, and Standard Operating Procedures ("Rules"). If, during the term of this Agreement, the NEPOOL Agreement is terminated or amended in a manner that would eliminate or materially alter a Rule affecting a right or obligation of a party hereunder, or if such a Rule is eliminated or materially altered by NEPOOL, the parties agree to negotiate in good faith in an attempt to amend this Agreement to incorporate a replacement Rule ("Replacement Rule"). The intent of the parties is that any such Replacement Rule reflect, as closely as possible, the intent and substance of the Rule being replaced as such Rule was in effect prior to such termination or amendment of the NEPOOL Agreement or elimination or alteration of the Rule. If the parties are unable to reach agreement on such an amendment, the parties agree to submit the matter to arbitration under the terms of Appendix C, attached and incorporated herein by reference, and to seek a resolution of the matter consistent with the above stated intent.

ARTICLE 14. INTERPRETATION, DISPUTE RESOLUTION

14.1 Interpretation

The interpretation and performance of this Agreement shall be in accordance with and controlled by the laws of The Commonwealth of Massachusetts.

14.2 Dispute Resolution

All disputes between MECO and Seller arising out of or relating to this Agreement which are defined as "Arbitrable Claims" in SECTION 2 of Appendix C, attached and incorporated herein by reference, shall be resolved by binding arbitration and be governed by the terms of such Arbitration Agreement. Any arbitration of an Arbitrable Claim that is substantially related to an arbitrable claim under a Wholesale Standard Offer Service Agreement between Seller and The Narragansett Electric Company shall be conducted jointly with the arbitration of the latter claim, before the same panel of arbitrators, with MECO and The Narragansett Electric Company jointly exercising their rights regarding the selection of arbitrators. Any decisions of the arbitrators shall be final and binding upon the parties.

ARTICLE 15. SEVERABILITY

If any provision or provisions of this Agreement shall be held invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

ARTICLE 16. MODIFICATIONS

No modification to this Agreement will be binding on any party unless it is in writing and signed by all parties.

ARTICLE 17. SUPERSESSION

This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and its execution supersedes any other agreements, written or oral, between the parties concerning such subject matter.

ARTICLE 18. COUNTERPARTS

This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument.

ARTICLE 19. HEADINGS

Article and Section headings used throughout this Agreement are for the convenience of the parties only and are not to be construed as part of this Agreement.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on their behalf as of the date first above written.

MASSACHUSETTS ELECTRIC COMPANY

BY:_____

Its_____

NANTUCKET ELECTRIC COMPANY

BY:_____

Its_____

USGEN NEW ENGLAND, INC.

BY:_____

Its_____

Appendix A. Standard Offer
Fuel Adjustment Provision

In the event of substantial increases in the market prices of No. 6 residual fuel oil (1% sulphur) and natural gas after 1999, MECO will pay additional amounts to Seller in accordance with this Standard Offer Fuel Adjustment Provision, which is calculated as follows:

The Stipulated Price that is in effect for a given billing month is multiplied by a "Fuel Adjustment" that is set equal to 1.0 and thus has no impact on the rate paid unless the "Market Gas Price" plus "Market Oil Price" for the billing month exceeds the "Fuel Trigger Point" then in effect, where:

> The Stipulated Price is the following predetermined, flat rate, for energy consumed at the customer meter point:

Calendar Year	Price per Kilowatt hour
1998	2.8 cents
1999	3.1 cents
2000	3.4 cents
2001	3.8 cents
2002	4.2 cents
2003	4.7 cents
2004	5.1 cents

Seller will be paid the difference between the Stipulated Price as adjusted in accordance with this Standard Offer Fuel Adjustment Provision and the Stipulated Price for each kilowatt-hour it provides in the applicable month.

Market Gas Price is the average of the values of "Gas Index" for the most recent available twelve months, where:

> Gas Index is the average of the daily settlement prices for the last three days that the NYMEX Contract (as defined below) for the month of delivery trades as reported in the "Wall Street Journal", expressed in dollars per MMBtu. NYMEX Contract shall mean the New York Mercantile Exchange Natural Gas Futures Contract as approved by the Commodity Futures Trading Commission for the purchase and sale of natural gas at Henry Hub;

Market Oil Price is the average of the values of "Oil Index" for the most recent available twelve months, where:

Oil Index is the average for the month of the daily low quotations for cargo delivery of 1.0% sulphur No. 6 residual fuel oil into New York harbor, as reported in "Platt's Oilgram U.S. Marketscan" in dollars per barrel and converted to dollars per MMBtu by dividing by 6.3; and

If the indices referred to above should become obsolete or no longer suitable, MECO shall file alternate indices with the Massachusetts Department of Public Utilities.

Fuel Trigger Point is the following amounts, expressed in dollars per MMBtu, applicable for all months in the specified calendar year:

2000	$5.35/MMBtu
2001	$5.35
2002	$6.09
2003	$7.01
2004	$7.74

In the event that the Fuel Trigger Point is exceeded, the Fuel Adjustment value for the billing month is determined based according to the following formula:

$$\text{Fuel Adjustment} = \frac{(\text{Market Gas Price} + \$.60/\text{MMBtu}) + (\text{Market Oil Price} + \$.04/\text{MMBtu})}{\text{Fuel Trigger Point} + \$.60 + \$.04/\text{MMBtu}}$$

Where:

Market Gas Price, Market Oil Price and Fuel Trigger Point are as defined above. The values of $.60 and $.04/MMBtu represent for gas and oil respectively, estimated basis differentials or market costs of transportation from the point where the index is calculated to a proxy power plant in the New England market.

For example if at a point in the year 2002 the Market Gas Price and Market Oil Price total $6.50 ($3.50/MMBtu plus $3.00/MMBtu respectively), the Fuel Trigger Point of $6.09 would be exceeded. In this case the Fuel Adjustment value would be:

$$\frac{(\$3.50 + \$.60/\text{MMBtu}) + (\$3.00 + \$.04/\text{MMBtu})}{\$6.09 + \$.60 + \$.04/\text{MMBtu}} = 1.0609$$

The Stipulated Price is increased by this Fuel Adjustment factor for the billing month, becoming 4.4548¢/kWh (4.2 x 1.0609).

In subsequent months the same comparisons are made and, if applicable, a Fuel Adjustment determined.

Appendix B. Estimation of Supplier Hourly Loads

Overview

Generating units operated by suppliers are dispatched by the power pool to meet the region's electrical requirements reliably, and at the lowest possible cost. As a result, a supplier's electricity production may not match the demand of its customers. In each hour some suppliers with low cost production units are net sellers of electricity to the pool, while other suppliers are purchasing power from the pool to meet the demand of their customers. To determine the extent to which suppliers are net buyers or sellers on an hourly basis, it is necessary to estimate the hourly aggregate demand for all of the customers served by each supplier ("own-load"). MECO will estimate Seller's Wholesale Standard Offer Service "own-load" within MECO's service territory and report the hourly results to NEPOOL or the ISO on a daily basis.

The estimation process is a cost effective approach to producing results that are reliable, unbiased and reasonably accurate. The hourly load estimates will be based on rate class load profiles which will be developed from statistically designed samples. Each day, the class load shapes will be scaled to the population of customers served by each supplier. In cases where telemetered data on individual customers are available, they will be used in place of the estimated shapes. On a monthly basis, the estimates will be refined by incorporating actual usage data obtained from meter readings. In both processes, the sum of all suppliers' estimated loads will match the total load delivered into the distribution system. A description of the estimation process follows.

Daily Estimation of Suppliers' Own Load

The daily process estimates the hourly load for each supplier for the previous day. There are five components in this process:

- Select a proxy date from the previous year with characteristics which best match the day for which the hourly demand estimates are being produced. Extract class load shapes for the selected proxy date from the load research data base.

- Scale the class load shapes appropriately for each individual customer based on the usage level of the customer relative to the class average usage level.

- Calculate a factor for each customer which reflects their relative usage level and includes an adjustment for losses ("load adjustment factor"). Aggregate the load adjustment factors across the customers served by each supplier in each class.
- Produce a preliminary estimate of each supplier's hourly loads by combining the proxy day class load shapes with the supplier's total load adjustment factors. Aggregate the loads across the classes for each supplier.

- Adjust the preliminary hourly supplier estimates so that their sum is equal to MECO's actual hourly metered loads (as metered at the point of delivery to the distribution system) by allocating any differences to suppliers in proportion to their estimated load.

Monthly Reconciliation Process

The monthly process will improve the estimates of supplier loads by incorporating the most recent customer usage information, which will be available after the monthly meter readings are processed. A comparison will be made between customers' estimated and actual usage, by billing cycle, then summed across billing cycles for each supplier. The ratio between the actual kWh and the estimated kWh reflects the kWh amount for which the supplier may have been overcharged or undercharged by NEPOOL or the ISO during the month. This ratio will be used to develop a kWh adjustment amount for each supplier for the calendar month. The sum of the adjustments will be zero because the total kWh will still be constrained to equal MECO's actual hourly metered loads during the month.

Appendix C. Arbitration Agreement

ARBITRATION AGREEMENT

This Arbitration Agreement, dated as of September 1, 1998, is entered into between Massachusetts Electric Company and Nantucket Electric Company, both Massachusetts corporations (referred to collectively as "MECO") and USGen New England, Inc., a Delaware corporation ("Seller"). Reference is made to that certain Second Amended and Restated Wholesale Standard Offer Service Agreement dated as of September 1, 1998 (the "Service Agreement") between MECO and Seller. Unless otherwise specified or apparent from the context of this Arbitration Agreement, the term "Party" shall mean either MECO or Seller, or both of them.

WHEREAS, MECO and Seller wish to avoid the burden, time, and expense of court proceedings with respect to any disputes that may arise from or relate to the Service Agreement, and to submit such disputes to mandatory binding arbitration if they cannot first be resolved through negotiation and mediation.

NOW, THEREFORE, MECO and SELLER AGREE AS FOLLOWS:

1 **Mediation**

Before resorting to mediation or arbitration under this Arbitration Agreement, the Parties will try to resolve promptly through negotiation any Arbitrable claim, as defined below. If the Arbitrable Claim has not been resolved through negotiation within ten (10) days after the existence of the Arbitrable Claim has been brought to the attention of the other Party in a writing, any Party may request in writing to resolve the Arbitrable Claim through mediation conducted by a mediator selected by agreement of the Parties. The mediation procedure shall be determined by the Parties in consultation with the mediator. Any medication pursuant hereto shall be kept confidential in accordance with Mass. G.L. c. 233, §23C. The fees and expenses of the mediator shall be borne equally by the Parties. If the Parties are unable to agree upon the identity of a mediator or a mediation procedure within ten (10) days after a Party has requested mediation in writing or if the Arbitrable Claim has not been resolved to the satisfaction of either MECO or Seller within forty (40) days after the Parties have selected a mediator and agreed upon a mediation procedure, either Party may invoke arbitration pursuant to the following sections by notifying the other Party of such selection in writing consistent with Section 3(c), below.

2 Mandatory Arbitration

(a) Except as provided in paragraph (b) of this Section 2 and in Section 8, below, any case, controversy or claim arising out of or relating to the Service Agreement, its breach, or any other disputes arising out of the business relationship created by the Service Agreement, of

whatever nature, including but not limited to any claim based in contract, in law, in equity, any statute, regulation, or theory of law now in existence or which may come into existence in the future, whether known or unknown, including without limitation, claims based upon deceit, fraudulent inducement, misrepresentation, 18 U.S.C §§1962 and 1964 (RICO), and Mass. G.L. c. 93A, the federal and state antitrust laws (collectively, the "Arbitrable Claims"), which cannot be resolved by negotiation or mediation, as provided in Section 1 above, shall be submitted to mandatory, binding, and final arbitration in accordance with procedures set forth in this Agreement, which shall constitute the exclusive remedy for any and all Arbitrable Claims.

(b) Notwithstanding paragraph (a) above, physical accidents or events giving rise to negligence or intentional tort claims for the recovery of property damages and/or damages for personal injury and failure to make payments due under Section 5.2 of the Service Agreement shall not be considered "Arbitrable Claims." However disputes regarding the interpretation or scope of any indemnification clauses in the Service Agreement shall be subject to arbitration, even if the dispute relates to whether one Party must indemnify the other for property damages and/or damages for personal injury, the recovery of which was or will be determined in a court of law.

(c) Each Party agrees that it will not attempt to circumvent this Arbitration Agreement by coordinating or cooperating with their respective parent companies of affiliates or guarantors in the filing of a legal action in the name of any of the parent companies or affiliates or guarantors of the Parties to this Arbitration Agreement regarding claims that otherwise are subject to this Arbitration Agreement. Any Party failing to comply with this provision shall indemnify the other Party against, and hold the other harmless from, the costs (including reasonable litigation costs) incurred by the other in defending any and all claims brought by a parent company or affiliate or guarantor of the other in a court of law regarding claims that otherwise would be Arbitrable Claims under this Arbitration Agreement.

3 Selection and Qualification of Arbitrators

(a) Any arbitration shall be conducted by a panel of three neutral arbitrators, consisting of (i) a practicing lawyer admitted to practice in the Commonwealth of Massachusetts; (ii) a person with professional experience in and substantial knowledge of the power generation industry in any one or more of the New England States, who may be, but need not be a lawyer, and (iii) a person with professional experience in and substantial knowledge of power markets in any one or more of the New England States, who may, but need not be, a lawyer (collectively, the "Arbitration Panel"). For purposes of this Arbitration Agreement, an arbitrator or candidate shall be considered "neutral" only if the arbitrator or candidate has not previously served as an arbitrator for a Party or one of its affiliates or guarantors and is not a present or former lawyer, employee or consultant of a Party or any of its affiliates or guarantors.

(b) Any Party entitled to commence arbitration hereunder shall do so by serving a written Notice of Arbitration briefly describing the Arbitrable Claims and the Agreements under which they are brought. Service of such Notice of Arbitration shall be complete upon receipt by the person designated for each party at the addresses specified in Section 12 below.

(c) Within twenty (20) days after service of a Notice of Arbitration, each Party shall serve upon the other Party a list of seven neutral candidates for each of the three panel members described in subparagraph (a) above.

(d) Within twenty (20) days after service of the lists referred to in subparagraph (c), MECO and Seller shall then strike from the other's lists any two candidates from each of the lists, for any reason whatsoever. For the remaining candidates each Party shall rank each candidate on its three lists from one to five and shall do the same for the other Party's lists.

(e) The candidates in each of the three categories with the lowest total score shall be invited to serve as panel members. In the event that the candidate in any of the three categories with the lowest total score is unable or unwilling to serve, or has a potential conflict of interest not consented to by each Party, then the candidate with the next lowest score in that category shall be invited to serve, subject to full disclosure by each candidate of, and consent by each Party to any potential conflicts of interests. This process shall be repeated until a full arbitration Panel is selected or the list of candidates for that category is exhausted. If the list of candidates for a category is exhausted the Parties shall exchange a new list of candidates for that category and the procedures set forth above shall be repeated a second time.

(f) If the parties cannot select a full Arbitration Panel in accordance with these procedures than any Party may request that a court of competent jurisdiction appoint the remaining members subject to their qualifications, willingness and ability to serve as provided above.

(g) The American Arbitration Association shall be appointed to facilitate and administer the parties' compliance with the procedures set forth above.

4 Time Schedule

The Arbitration shall be conducted as expeditiously as possible. The Arbitration Panel shall schedule a pre-hearing conference and hearings as it deems advisable and shall use its best efforts to schedule consecutive days of hearings. Hearings shall be limited to a total of ten (10) days. The Arbitration Panel shall issue its final decision and award within thirty (30) days of the close of the hearings, which shall be accompanied by a written, reasoned opinion.

5 Remedies

(a) The Arbitration Panel shall not award punitive or multiple damages or any other damages not measured by the prevailing Party's actual damages - except that the Arbitration Panel, in its sole discretion, may shift all or a portion of the costs of the Arbitration to any Party.

(b) Any award of damages by the Arbitration Panel shall be determined, limited and controlled by the damages limitation clauses of the Service Agreement applicable to the dispute before the Arbitration Panel.

(c) The Arbitration Panel may, in its discretion, award pre-award and post-award interest on any damages award; provided, however, that the rate of pre-award or post-award interest shall not exceed a rate equal to the rate provided for post-judgment interest by 28 U.S.C.§ 1961 as published from time to time by the Administrative Office of the United States Courts based on the equivalent coupon issue yield for auctions of 52-week Treasury bills.

6 Confidentiality

In accordance with Mass. G.L. c. 233 § 23C. the existence, contents, or results of any mediation or arbitration hereunder may not be disclosed without the prior written consent of both Parties; provided, however, either Party may make disclosures as may be necessary to fulfill regulatory obligations to any regulatory bodies having jurisdiction, and may inform their lenders, affiliates, auditors and insurers, as necessary, under pledge of confidentiality and can consult with experts as required in connection with the arbitration under pledge of confidentiality. If any Party seeks preliminary injunctive relief from any court to preserve the status quo or avoid irreparable harm pending mediation or arbitration, the Parties agree to use best efforts to keep the court proceedings confidential, to the maximum extent permitted by law.

7 FERC Jurisdiction over Certain Disputes

(a) Nothing in this Arbitration Agreement shall preclude, or be construed to preclude, any Party from filing a petition or complaint with the Federal Energy Regulatory Commission ("FERC") with respect to any Arbitrable Claim. In such case, the other Party may request FERC to reject or to waive jurisdiction. If the FERC rejects or waives jurisdiction, with respect to all or a portion of the claim, the portion of the claim not so accepted by FERC shall be resolved through arbitration, as provided in this Arbitration Agreement. To the extent that FERC asserts or accepts jurisdiction over the claim, the decision, finding of fact, or order of FERC shall be final and binding, and any arbitration proceedings that may have commenced prior to the assertion or acceptance of jurisdiction by FERC shall be stayed, pending the outcome of the FERC proceedings.

(b) The Arbitration Panel shall have no authority to modify, and shall be conclusively bound by, any decision, finding of fact, or order of FERC. However, to the extent that a decision finding of fact, or order of FERC does not provide a final or complete remedy to the Party seeking relief, such Party may proceed to arbitration under this Arbitration Agreement to secure such remedy, subject to the FERC decision, finding or order.

8 Preliminary Injunctive Relief

Nothing in this Arbitration Agreement shall preclude, or be construed to preclude, the resort by either Party to a court of competent jurisdiction solely for the purposes of securing a temporary or preliminary injunction to preserve the status quo or avoid irreparable harm pending mediation or arbitration pursuant to this Arbitration Agreement.

9 Governing Law

This Arbitration Agreement shall be construed, enforced in accordance with, and governed by, the laws of the Commonwealth of Massachusetts.

10 Location of Arbitration

Any arbitration hereunder shall be conducted in Boston, Massachusetts.

11 Severability

If any section, subsection, sentence, or clause of this Arbitration Agreement is adjudged illegal, invalid, or unenforceable, such illegality, invalidity, or enforceability shall not affect the legality, validity, or enforceability of the Arbitration Agreement as a whole or of any section, subsection, sentence or clause hereof not so adjudged.

12 Notices

Any notices required to be given pursuant to this Arbitration Agreement shall be in writing and sent to the receiving party by (i) certified mail, return receipt requested, (ii) overnight delivery service, or (iii) facsimile transmission (confirmed by telephone), addressed to the receiving party at the address shown below or such other address as a party may subsequently designate in writing. Any such notice shall be deemed to be given (i) three days after deposit in the United States mail, if sent by mail, (ii) when actually received if sent by overnight delivery service, or (iii) when sent, if sent by facsimile and confirmed by telephone.

If to MECO: Massachusetts Electric Company
25 Research Drive
Westborough, Massachusetts 01582
Attention: General Counsel
Facsimile: (508) 389-2463

If to Seller USGen New England, Inc.
7500 Old Georgetown Road, 13th Floor
Bethesda, MD 20814
Attention: Stephen A. Herman, Esq.
Facsimile: (301)718-6913

In addition, the parties shall send copies of any notices required by the terms of any of the Agreements, in accordance with the terms of each Agreement.

IN WITNESS WHEREOF, Each Party has caused its duly authorized officers to execute this Arbitration Agreement on the dates set forth below.

MASSACHUSETTS ELECTRIC COMPANY

BY:_____

Its_____

NANTUCKET ELECTRIC COMPANY

BY:_____

Its_____

USGEN NEW ENGLAND, INC.

BY:_____

Its_____

Table of Contents

AMENDMENT NO. 1
TO
SECOND AMENDED AND RESTATED
WHOLESALE STANDARD OFFER SERVICE AGREEMENT

Amendment No. 1 ("Amendment") to the Second Amended and Restated Wholesale Standard Offer Service Agreement ("Agreement") dated December 23, 1999 by and among Massachusetts Electric Company, a Massachusetts corporation, Nantucket Electric Company, a Massachusetts corporation (these two parties being referred to collectively as "MECO"), and USGen New England, Inc., a Delaware corporation ("Seller").

Whereas, subject to Seller's right to terminate this Amendment no later than January 7, 2000 and the receipt of certain regulatory approvals (as set forth in Section 2 below), Seller desires to reduce its obligation to MECO to provide Wholesale Standard Offer Service; and

Whereas Constellation Power Source, Inc. ("CPS") and MECO are negotiating to enter into an agreement (the "CPS/MECO WSOS Agreement") pursuant to which CPS will provide 10% of MECO's requirements for Wholesale Standard Offer Service, if Seller does not terminate this Amendment and said regulatory approvals are received.

NOW THEREFORE, in consideration of the premises and considerations and warranties, covenants and other agreements hereinafter set forth, the parties hereto, intending to be legally bound hereby, agree as follows:

Section 1: Definitions. All capitalized terms have the meaning set forth herein, and if not defined herein, have the meaning set forth in the Agreement. For purposes of this Amendment, "Business Day" means 8 a.m. to 5 p.m. on any day on which the Federal Reserve member banks in Baltimore, Maryland and Boston, Massachusetts are open for business.

Section 2: Performance Commencement Date. Seller may, in its sole discretion, terminate this Amendment, rendering it null and void, by providing notice of such termination to MECO on or before January 7, 2000. If Seller does not terminate this Amendment on or before January 7, 2000, the provisions of Sections 3, 4, and 5 shall become effective ("Performance Effective Date") upon the later to occur of (i) 12:01 a.m. on March 1, 2000 or (ii) 12:01 a.m. on the first day of the month following the month in which the last of the following events occur, provided that if the last of the events occurs on or after the third to last Business Day of a month, then the Performance Effective Date under this subclause shall be the first day of the second month following the date on which the last of the following events occur:

a. a final non-appealable order from the Massachusetts Department of Telecommunications and Energy ("MDTE") approving this Amendment and the CPS/MECO WSOS Agreement, or a written communication from the MDTE stating that such approval is not required; and

b. a final order of the Federal Energy Regulatory Commission ("FERC") approving Seller's application under Section 203 of the Federal Power Act for approval to transfer to CPS its rights and obligations to supply MECO 10% of MECO's requirements for Wholesale Standard Offer Service becomes non-appealable.

Section 3: Reduction in Obligation. On the Performance Effective Date, ARTICLE 4, Section 4.1 of the Agreement is amended by replacing "90.78%" with "80.78%." ARTICLE 4, Section 4.2 of the Agreement is amended by replacing "90.78%" with "80.78%."

Section 4: Regulatory Approvals. Provided that Seller does not terminate this Amendment on or before January 7, 2000, it is the intent of the Parties to work in good faith to effectuate a full and complete transfer to CPS of all of Seller's rights and obligations to supply to MECO 10% of MECO's requirements for Wholesale Standard Offer Service as promptly as commercially reasonable to do so. Seller agrees to prepare and file an application for the purpose of obtaining the regulatory approval required of FERC (as described in Section 2.(ii).b. above). MECO agrees to prepare and file the appropriate notice or application for the purpose of obtaining regulatory approval from the MDTE for the CPS/MECO WSOS Agreement and this Amendment. Each of Seller and MECO agree to cooperate, to the extent reasonably requested by the other, assist in the preparation, and support the other Party's filing for the respective regulatory approvals discussed above. Seller and MECO further agree to file with FERC (to the extent required by statute, order or regulation) any agreements or amendments to agreements entered into to effectuate this transaction as soon as commercially reasonable to do so, but in any event, within such time as permitted by such statute, order or regulation.

Section 5: Release. MECO hereby releases, holds harmless and forever discharges Seller and each of its affiliates, including PG&E Corporation, a California corporation, and Seller hereby releases, holds harmless and forever discharges MECO and its affiliates, from any and all claims, liabilities, obligations and indemnities relating to any event or cause occurring on or after the Performance Effective Date arising under or with respect to the Agreement and relating to the 10% interest transferred to CPS. Seller and MECO each hereby waive any and all rights and benefits that it now has, or in the future may have, conferred upon it by virtue of any statute or common law principle that provides that a general release does not extend to claims which a party does not know or suspect in its favor at the time of executing the release. Nothing herein relieves MECO or Seller, or any of their affiliates, of any claim, liability, obligation or indemnity relating to any event or cause occurring prior to the Performance Effective Date arising under or relating to the Agreement and relating to the 10% interest transferred to CPS.

Section 6: Conditions Precedent. The effectiveness of this Amendment is conditioned on the execution by MECO and CPS of the CPS/MECO WSOS Agreement on terms satisfactory to MECO.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

Section 7: Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first written above.

MASSACHUSETTS ELECTRIC COMPANY

By: _____
Name:
Title:

NANTUCKET ELECTRIC COMPANY

By: _____
Name:
Title:

USGen NEW ENGLAND, INC.

By: _____
Name:
Title:

Section 7: Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first written above.

MASSACHUSETTS ELECTRIC COMPANY

By: _____
Name: Lawrence V. Reilly
Title: President + COO

NANTUCKET ELECTRIC COMPANY

By: _____
Name: Lawrence V. Reilly
Title: President + COO

USGen NEW ENGLAND, INC.

By: _____
Name:
Title:

Section 7: Counterparts. This Amendment may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties hereto have executed this Amendment No. 1 as of the date first written above.

MASSACHUSETTS ELECTRIC COMPANY

By: _____
Name:
Title:

NANTUCKET ELECTRIC COMPANY

By: _____
Name:
Title:

USGen NEW ENGLAND, INC.

By: James V. Mahoney
Name: JAMES V. MAHONEY
Title: SR. V. P.

ATTACHMENT C

Application to Federal Energy Regulatory Commission Under Section 203 of the Federal Power Act

****PRIVILEGED AND CONFIDENTIAL INFORMATION HAS BEEN REMOVED PURSUANT to 18 C.F.R. § 388.112****

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc. Constellation Power Source, Inc.	)	Docket No. EC02-___-000

JOINT APPLICATION FOR ORDER AUTHORIZING PARTIAL DISPOSITION OF JURISDICTIONAL FACILITIES UNDER SECTION 203 OF THE FEDERAL POWER ACT AND REQUEST FOR EXPEDITED ACTION

David M. Perlman
Cynthia Harkness
Lisa Decker
CONSTELLATION POWER SOURCE, INC.
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Baltimore, Maryland 21202

For Constellation Power Source, Inc.

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Daniel A. Hagan
DEWEY BALLANTINE LLP
1775 Pennsylvania Avenue, N.W.
Washington, D.C. 20006

Christopher A. Wilson
USGEN NEW ENGLAND, INC.
7500 Old Georgetown Road, 13th Floor
Bethesda, MD 20814-6161

For USGen New England, Inc.

Dated: August 22, 2002

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc. Constellation Power Source, Inc.	)	Docket No. EC02-___-000

JOINT APPLICATION FOR ORDER AUTHORIZING PARTIAL DISPOSITION OF JURISDICTIONAL FACILITIES UNDER SECTION 203 OF THE FEDERAL POWER ACT AND REQUEST FOR EXPEDITED ACTION

Pursuant to Section 203 of the Federal Power Act ("FPA"), 16 U.S.C. § 824b (2000), and Part 33 of the regulations of the Federal Energy Regulatory Commission ("FERC" or "Commission"), 18 C.F.R. Part 33 (2001), USGen New England, Inc. ("USGenNE") and Constellation Power Source, Inc. ("CPS") (collectively, "Applicants") respectfully request that the Commission approve the transfer ("Transfer") of a portion of USGenNE's right and obligation to serve the Massachusetts Electric Company and the Nantucket Electric Company (jointly "MECO") to CPS. CPS is an experienced power marketer authorized by the Commission to engage in wholesale sales of power in interstate commerce at market-based rates. The transaction is structured to assure uninterrupted service to MECO and, subject to the receipt of any required state regulatory approvals, MECO consents to the transfer. For the reasons explained herein, the proposed transaction raises no substantive issues under the Commission's

regulations.[1] Applicants therefore request that the Commission approve the proposed transaction pursuant to Section 203 of the FPA.

REQUEST FOR EXPEDITION

Applicants request expedited treatment to allow this transaction to close as promptly as possible. Because, as shown below, this transaction raises no concerns with respect to its effect on competition, rates or regulation, approval on an expedited basis is requested. *See Order No. 642*, FERC Stats. & Regs. [Regs. Preambles 1996-2000] at 31,877 (shortened comment is appropriate for transactions that do not require the submission of a competitive analysis screen or a vertical competitive analysis). Specifically, Applicants request that the Commission notice this filing as quickly as practicable, and establish a 15-day comment period.[2] Furthermore, Applicants request that the Transfer be authorized as soon as possible after the comment period, but not later than September 13, 2002 to facilitate timely completion of the transaction, which will enable USGenNE to realign its credit obligations, reduce counterparty credit exposure to USGenNE, and free up credit capacity thereby increasing liquidity in the wholesale power market. The Commission has processed other applications under Section 203 of the FPA in a similar timeframe where the transaction raised no public interest concerns.[3]

---

[1] *See Revised Filing Requirements Under Part 33 of the Commission's Regulations*, Order No. 642 , 65 Fed. Reg. 70,983 (Nov. 28, 2000), FERC Stats. and Regs. [Regs. Preambles 1996-2000] ¶ 31,111 (2000), *order on reh'g*, Order No. 642-A, 65 Fed. Reg. 16,121 (Mar. 23, 2001), 94 FERC ¶ 61,289 (2001) (codified at 18 C.F.R. Part 33) ("*Order No. 642*"). *See also Inquiry Concerning the Commission's Merger Policy Under the Federal Power Act; Policy Statement,* Order No. 592, 61 Fed. Reg. 68,595 (Dec. 30, 1996), FERC Stats. & Regs. [Regs. Preambles 1996-2000] ¶ 31,044 (1996), *recons. denied*, Order No. 592-A, 79 FERC ¶ 61,321 (1997) (codified at 18 C.F.R. Part 2) ("*Merger Policy Statement*").

[2] *See Morgan Stanley Capital Group, Inc.*, 79 FERC ¶ 61,109 (1997) ("*Morgan Stanley*") (15-day comment period).

[3] *Pedricktown Cogeneration Ltd. P'ship,* 98 FERC ¶ 62,217 (2002); *New Power Co.*, 98 FERC ¶ 62,213 (2002); *Northeast Utils. Serv. Co.*, 98 FERC ¶ 62,157 (2002); *Lake Road Trust Ltd.*, 100 FERC ¶ 62,046 (2002) ("*Lake Road*").

REQUEST FOR WAIVERS

Applicants further request, as discussed below and consistent with Commission precedent, that the Commission grant full or partial waiver of its regulations with regard to Section 33.2(c)(2) (list of all energy subsidiaries and energy affiliates), Section 33.2(c)(3) (organizational chart with all energy subsidiaries and energy affiliates), Section 33.2(c)(4) (statement of effect on joint ventures, strategic alliances or other business arrangements), Section 33.2(c)(6) (description and location of customers), Section 33.2(d) (description of jurisdictional facilities), Section 33.2(h) (map), Section 33.3 (horizontal impacts), and Section 33.4 (vertical impacts) and authorize the proposed Transfer described herein on the basis of the information provided in this Application.

In support of this Application, Applicants state as follows:

I. Background

A. Description of Parties

1. *USGenNE*

USGenNE is an exempt wholesale generator, *see USGen New England, Inc.,* 84 FERC ¶ 62,126 (1998), authorized by the Commission to engage in wholesale sales of power in interstate commerce at market-based rates pursuant to its market-based rate schedule, which was accepted by the Commission in *New England Power Co.*, 82 FERC ¶ 61,179, *order on clarification and reh'g*, 83 FERC ¶ 61,275 (1998). USGenNE has no franchised service territory. USGenNE is engaged exclusively in the business of generating and selling electric

power at wholesale.[4] USGenNE is an indirect, wholly-owned subsidiary of PG&E Corporation, an exempt public utility holding company under Section 3(a)(1) of the Public Utility Holding Company Act of 1935 ("PUHCA"), 15 U.S.C. § 79c(a)(1). The only entity with a franchised service territory affiliated with USGenNE is Pacific Gas and Electric Company ("PG&E"), an investor-owned combination gas and electric utility in California and a direct, wholly-owned subsidiary of PG&E Corporation.[5]

2. *CPS*

CPS is a power marketer authorized by the Commission to engage in wholesale sales of power in interstate commerce at market-based rates. *See Constellation Power Source, Inc.*, 79 FERC ¶ 61,167 (1997) ("*Constellation Power*"); *Constellation Power Source, Inc.,* Docket No. ER99-1774-000 (unpublished delegated letter order issued Mar. 10, 1999 authorizing sale of certain ancillary services into markets administered by the Independent System Operator of New England ("ISO New England)); *Constellation Power Source, Inc.,* Docket No. ER00-607-000 (unpublished delegated letter order issued Dec. 29, 1999 authorizing sale of certain

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[4] USGenNE's primary generating assets consist of: the Brayton Point Station (1,599 MW) fossil fired facility located in Somerset, MA; the Salem Harbor Station (745 MW) fossil fired facility located in Salem, MA; the Bear Swamp (599 MW) pumped storage hydro facility located in Rowe and Florida, MA; the Manchester Street Station (495 MW) gas fired facility located in Providence, RI; the Connecticut River System (484 MW) hydro facility located in NH and VT; and the Deerfield River System (83 MW) hydro facility located in MA and VT.

[5] On November 30, 2001, PG&E and PG&E Corporation filed an application pursuant to Section 203 of the FPA requesting Commission approval for certain transfers of jurisdictional assets to effect the proposed Chapter 11 Plan of Reorganization of PG&E. *See Pacific Gas & Elec. Co.*, Docket Nos. EC02-31-000, EL02-36-000, and CP02-38-000, "Application Seeking Approval Under Section 203 of the Federal Power Act and Related Declaratory Orders Under Sections 201 and 305 of the Federal Power Act and Section 12 of the Natural Gas Act." Concurrently, an application by PG&E Corporation affiliate, Electric Generation LLC ("Gen"), was filed under Section 205 of the FPA requesting that the Commission accept for filing the Power Sales Agreement ("PSA") by which Gen contractually commits the output of the generating capacity transferred to it and its subsidiaries under the Plan of Reorganization to the reorganized PG&E. *See Electric Generation LLC*, Docket No. ER02-456-000, "Application of Electric Generation LLC for Order Accepting Power Sales Agreement and Interim Code of Conduct, and Waiving Regulations" (filed on Nov. 30, 2001). Additional filings also related to implementation of the Plan of Reorganization were made concurrently pursuant to Section 7 of the NGA and Sections 8, 204, and 205 of the FPA. The Commission recently set for hearing the Gen PSA. All of the remaining filings are currently pending before the Commission.

ancillary services into additional markets); *AmerGen Vermont, LCC*, 90 FERC ¶ 61,307, *reh'g denied*, 91 FERC ¶ 61,270 (2000) ("*AmerGen Vermont*") (removing affiliate sales provisions and superceding code of conduct and authorizing sale of certain ancillary services into the California Independent System Operator ("ISO"), the New York ISO, the PJM Power Exchange and the ISO New England); *Constellation Power Source, Inc.,* Docket Nos. ER01-64-000 and ER01-64-001 (unpublished delegated letter order issued Dec. 11, 2000 authorizing resale of firm transmission rights and acceptance of revised market-based rate schedule) (removing affiliate sales provisions and superseding code of conduct) (jointly, "*Constellation Market-Rate Orders*"). It is a wholly-owned subsidiary of Constellation Energy Group Inc. ("CEG"). CEG, a Maryland corporation, is a holding company exempt from registration under Section 3(a)(1) of PUHCA, 15 U.S.C. § 79c(a)(1). CEG engages in the regulated electric and natural gas transmission and/or distribution business through its wholly-owned subsidiary, Baltimore Gas and Electric Company. CPS does not have a franchised service territory and does not own any physical facilities for the generation, transmission or distribution of electric power.

B. Description of the Proposed Transfer

USGenNE presently serves MECO under a wholesale standard offer service agreement (the "Original Agreement"). USGenNE is currently obligated under the Original Agreement to provide 90.78% of the requirements of MECO for wholesale standard offer service (as defined in the Original Agreement, and under the terms and conditions provided therein). Under the proposed transaction, CPS would undertake to relieve USGenNE of 10% of MECO's requirements (the "CPS Share"), thereby reducing USGenNE's obligation from 90.78% to 80.78% of MECO's requirements, and CPS would provide service to MECO for the CPS Share under a new agreement entered into between CPS and MECO. The Original Agreement was

accepted for filing by FERC as a service agreement under USGenNE's market-based rate tariff in Docket No. ER99-19-000. *Ameren Operating Cos.*, Docket No. ER99-1651-000 (unpublished delegated letter order issued Apr. 1, 1999) ("*Ameren Operating Cos.*").

To effectuate the transfer of the CPS Share, USGenNE has entered into an amendment of the Original Agreement with MECO ("Amendment"), which provides for a reduction in its right and obligation to provide wholesale standard offer service as described above, and CPS has entered into an agreement with MECO ("CPS Agreement"), to provide the CPS Share under terms and conditions to which CPS and MECO have agreed.[6] USGenNE and CPS have also entered into an Agreement for the Purchase of MECO Wholesale Standard Offer Service effective during the interim between March 1, 2000 and the Effective Date (as defined below).[7] USGenNE, CPS and MECO have contractually agreed that the transfer of the CPS Share will take effect upon the first day of the month following receipt of all final and non-appealable regulatory approvals, or with respect to any required state approval, a written communication that approval is not required ("Issuance Date"). The Issuance Date shall be the Effective Date of the Amendment, unless the Issuance Date occurs on or after the third to last business day of the month, in which case the transfer shall be effectuated on the first day of the second month following the Issuance Date and that date shall be the Effective Date. In addition to the federal regulatory approval sought pursuant to this pleading, MECO is undertaking to

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[6] Pursuant to the *Revised Public Utility Filing Requirements,* Order No. 2001, 67 Fed. Reg. 31,044 (May 8, 2002), 99 FERC ¶ 61,107 (2002), *reh'g pending*, USGenNE will file the requisite data regarding the Amendment to the Original Agreement in its Electric Quarterly Reports. Likewise, CPS will file the requisite data regarding the CPS Agreement in its Electric Quarterly Reports.

[7] This agreement provides, *inter alia,* for the payment of compensation related to the proposed Transfer and includes covenants of each party to seek regulatory approvals needed to permit the Transfer to become effective.

assure that all necessary state authorizations from the Massachusetts Department of Telecommunications and Energy ("MDTE") are received to effectuate the transfer or that the MDTE provides written notice that approval is not required. Thus, Applicants request that the authorization to transfer the CPS Share be made effective on the Effective Date for the transaction.

II. The Proposed Transfer is Consistent with the Public Interest

Applicants request Commission authorization for USGenNE to dispose of its right and obligation to serve the CPS Share in accordance with Commission precedent.[8] In reviewing transactions under Section 203 of the FPA, the Commission generally considers the following factors: (1) the effect on competition; (2) the effect on rates; and (3) the effect on regulation. 18 C.F.R. § 33.2(g) (2001). *See also* 18 C.F.R. § 2.26 (2001). As explained below, the proposed Transfer will not have any effect (much less an adverse one) on competition, rates or regulation. Accordingly, the proposed Transfer warrants the Commission's approval as consistent with the public interest.

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[8] Commission authorization (other than notice of cancellation of a contract on file with the Commission) is not generally required where one power marketer terminates a power sales contract, *see Southern Co. Energy Mktg., L.P.*, 84 FERC ¶ 61,199 (1998), *reh'g denied*, 86 FERC ¶ 61,131 (1999), *aff'd*, *The Power Co. of America, L.P. v. FERC,* Nos. 99-1263 and 99-1333 (D.C. Cir. Apr. 17, 2000) (unpublished), and another power marketer enters into a power sales contract with the former customer of the first power marketer. However, expressly for the purpose of completing this transaction at the earliest possible date while removing any doubt as to whether the proposed transaction constitutes a disposition for which approval of the Commission is required, Applicants are seeking the instant authorization for this transaction pursuant to Section 203 of the FPA and consent to the Commission's assumption of jurisdiction hereunder for such purpose. *See Citizens Energy Corp.*, 35 FERC ¶ 61,198 at 61,453 (1986) (finding a power marketer's corporate organization, contracts, accounts and records to constitute jurisdictional facilities under Section 201(b) of the FPA, 16 U.S.C. § 824(b), in so far as they are utilized in connection with wholesale sales of power in interstate commerce); *Morgan Stanley*, 79 FERC ¶ 61,109 (holding that a disposition of a power marketer's jurisdictional facilities via a change in control requires Commission authorization pursuant to Section 203 of the FPA).

A. No Adverse Effect On Competition

The proposed Transfer of the CPS Share cannot have an adverse effect on competition. This is because the transfer of the CPS Share, which was negotiated at arms'-length between USGenNE and CPS, does not include the transfer of any physical facilities, or the right to control any physical facilities, for the generation, transmission or distribution of electric energy. While the Commission has ruled that a 203 applicant's ability to exercise market power may result in higher prices and reduced output in electricity markets, *Order No. 642*, FERC Stats. & Regs. [Regs. Preambles 1996-2000] at 31,879, the Commission has previously found that a transaction that does not result in a change in control over generating resources would not enable exercise of market power. *See New England Power Co.*, 88 FERC ¶ 61,292 at 61,886 (1999) ("*New England Power Co.*"). The simple transfer of a portion of a power marketer's paper jurisdictional facilities (*i.e.*, a partial transfer of the right to serve certain customers) to an entity which does not own or control physical facilities for the generation, transmission or distribution of electric energy, will have no effect on competition. *See, e.g., EnerZ Corp.*, 85 FERC ¶ 62,130 (1998) (approving disposition of power marketer's jurisdictional facilities); *Northrop Grumman Corp.*, 82 FERC ¶ 62,130 (1998) (same); *Citizens Lehman Power L.L.C., et al.*, 79 FERC ¶ 62,079 (1997) (same); *Morgan Stanley,* 79 FERC ¶ 61,109 (approving, among other things, disposition of power marketer's jurisdictional facilities via merger); *see also Vitol Gas & Elec. LLC*, 86 FERC ¶ 62,043 (1999) (approving disposition of personnel, computer hardware and software systems and ongoing business relationships from one power marketer to another). Accordingly, there is no need to perform a horizontal Competitive Analysis Screen as contemplated in Section 33.3 of the Commission's regulations. *See* 18 C.F.R. § 33.3(a)(1) (a horizontal Competitive Analysis Screen is required where "a

single corporate entity obtains ownership or control over the generating facilities of previously unaffiliated merging entities"). Thus, the proposed Transfer cannot and will not result in any increase in market power and thus will have no adverse effect on competition.

Moreover, all sales will occur within the market served by ISO-New England, which has Commission-approved market monitoring and mitigation in place. As the Commission has previously noted, "the requirements of ISO New England prevent the physical withholding of output from the energy market and, were it to occur, the problem would be identified and remedied by the ISO's market power monitoring and mitigation measures approved by the Commission." *New England Power Co.*, 88 FERC at 61,886 (footnote omitted). The Transfer here does not alter the ability of any entity to compete or otherwise change the availability or access to the market with respect to any person.

Further, by granting market-based rate authority to USGenNE and CPS, the Commission determined that neither USGenNE nor CPS possesses market power in generation or transmission and cannot erect other barriers to entry. The Original Agreement was accepted by the Commission as a market-based rate, *see Ameren Operating Cos.*, *supra*; *New England Power Co.*, 82 FERC ¶ 61,179 (1998) ("*New England Power*"),[9] and CPS' new contract with

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[9] Pursuant to the Commission's order granting USGenNE market-based rate authority, USGenNE filed its triennial market power update on December 14, 2001, which contained, as Appendix B, an affidavit of Dr. William H. Hieronymus, a Vice President at Charles River Associates Incorporated, and the results of his generation market power study. *Athens Generating Co., L.P.*, Docket Nos. ER99-4282-000, *et al.*, "Triennial Market Power Update" (filed Dec. 14, 2001) ("Triennial Report"). Dr. Hieronymus performed an analysis of USGenNE and its affiliates' market power by conducting an evaluation of generation dominance utilizing the Supply Margin Assessment ("SMA") screen in accordance with the test described in *AEP Power Mktg., Inc.*, 97 FERC ¶ 61, 219 (2001), *reh'g pending*, and related competition issues for each of the markets in which ISO USGenNE and its affiliates may conservatively be considered to control generation. No SMA screen analysis was performed with regard to generation facilities in the New England region because capacity sold into the ISO New England has Commission-approved market monitoring and mitigation in place and is thus exempt from such analysis. *Id.* at 61,970. *See also GNE, LLC*, 97 FERC ¶ 61,286 (2001). Dr. Hieronymus' analysis determined that USGenNE and its affiliates do not have generation market power or transmission market power and cannot erect other barriers to entry. Accordingly, Dr. Hieronymus found that USGenNE and its affiliates meet the Commission's test for continued market-based rate authority. Triennial Report at Appendix B, p.2, 18.

MECO will similarly be entered into under CPS' market-based rate authority. *See Constellation Market-Rate Orders.*[10] The Transfer of the CPS Share will not alter any facts the Commission relied upon in making these determinations. The transfer of the CPS Share gives CPS no greater rights or obligations than it is presently authorized to assume without specific Commission approval under its market-based rate authority. Consequently, no new market power analysis is required to demonstrate the consistency of this transaction with the public interest because it is clear on its face that the Transfer will not enhance "the ability of the affected public utility . . . to exercise market power in relevant geographic and product markets." *Enova Corp. and Pac. Enter.*, 79 FERC ¶ 61,107 at 61,496 (1997).

Furthermore, the Transfer will not create any opportunities for affiliate abuse. The transfer of the CPS Share by USGenNE does not require CPS to purchase power from, or sell power to, an affiliate which owns or controls physical facilities for the generation, transmission or distribution of electric energy. Applicants respectfully submit, therefore, that the proposed Transfer will not result in any adverse competitive effects. Nonetheless, to the extent necessary, Applicants request waiver of the Commission's requirement to conduct competitive screen analyses under 18 C.F.R. §§ 33.3 and 33.4.

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[10] CPS' and its affiliates' market power has been most recently considered by this Commission in Docket No. EC02-86-000 granting AES Corporation ("AES") the authority to sell AES NewEnergy, Inc. to CEG. *The AES Corp.*, 100 FERC ¶ 62,068 (2002). In establishing a lack of market power, AES's and CEG's Section 203 application explains that CPS' long- and short-term sales and purchases of energy and other power products primarily "take the form of generic 'firm liquidated damages' energy contracts, Installed Capability ('ICAP') purchases, unit contingent 'must take' purchases, and a small amount of contracts through which CPS can affect the output or dispatch of a generation unit." *The AES Corp.*, Docket No. EC02-86-000, "Joint Application for Expedited Approval of the Disposition of Jurisdictional Facilities Under Section 203 of the Federal Power Act" at 15 (filed June 27, 2002) ("AES/CEG Application"). Moreover, the AES/CEG Application states that "[t]he contracts in [ISO-New England] through which CPS can arguably affect the output of a generating unit comprise only 140 MW of capacity." AES/CEG Application at 15-16 (footnote omitted).

B. No Adverse Effect On Rates

As previously stated, the rates under the Original Agreement, which are substantially similar to those in the new agreement between CPS and MECO, have previously been accepted by the Commission as market-based. *See New England Power,* 82 FERC ¶ 61,179; *Constellation Market-Rate Orders*. These rates are not dependent on the costs of the seller. Neither USGenNE nor CPS has a franchised service territory or captive customers whose rates might be adversely affected by the proposed transaction. Consequently, the Transfer will not have an adverse affect on rates.

C. No Adverse Effect On Regulation

In the *Merger Policy Statement*, FERC expressed concern that transactions under Section 203 of the FPA not be permitted to create a change in jurisdiction which could result in a "regulatory gap." FERC Stats. & Regs. [Regs. Preambles 1996-2000] at 30,124-25 (citations omitted). The Transfer will not affect the Commission's jurisdiction over USGenNE or CPS; each will be subject to Commission regulation to the same extent immediately after the proposed transaction as before the transaction. The jurisdictional sale by USGenNE to MECO which will terminate as a result of the Transfer will be replaced by a jurisdictional sale by CPS to MECO which will be subject to Commission regulation to the same degree as other market-based power sales by CPS. Thus, no regulatory gap will occur as a result of the Transfer.

The Transfer will also have no adverse effect on state commission regulation. Neither USGenNE nor CPS is subject to state regulation with respect to their wholesale sales of power. To the extent MECO requires approval of the MDTE to reduce its purchase obligation under the Original Agreement and to enter into a new agreement with CPS, such approval (or a

written disclaimer from the MDTE of the need for approval) is a condition precedent to the transfer of the CPS Share for which approval is sought hereunder.

Accordingly, the Transfer is consistent with the public interest under the criteria outlined by the Commission in its regulations and the *Merger Policy Statement*. Thus, the Commission should authorize the Transfer under Section 203 of the FPA.

III. INFORMATION REQUIRED BY 18 C.F.R. SECTION 33.2

A. Exact Name and Address of Principal Business Office (18 C.F.R. § 33.2(a))

CPS
Constellation Power Source, Inc.
111 Market Place
Suite 500
Baltimore, Maryland 21202

USGenNE
USGen New England, Inc.
7500 Old Georgetown Road
Suite 1300
Bethesda, MD 20814-6161

B. Name and Address of Person Authorized to Receive Notices and Communications with Respect to the Application (18 C.F.R. § 33.2(b))

CPS
David M. Perlman*
Cynthia Harkness
Lisa Decker
Constellation Power Source, Inc.
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(401) 468-3490 (phone)
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USGenNE
Donna M. Attanasio*
Daniel A. Hagan
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1775 Pennsylvania Avenue, N.W.
Washington, D.C. 20006
(202) 862-1000 (phone)
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Christopher A. Wilson*
USGen New England, Inc.
7500 Old Georgetown Road, 13th Floor
Bethesda, MD 20814-6161
(301) 280-6800 (phone)
(301) 280-6913 (fax)
chris.wilson@neg.pge.com

C. Designation of the Applicants (18 C.F.R. § 33.2(c))

EXHIBIT A (§ 33.2(c)(1)) — All business activities of the Applicant, including authorizations by charter or regulatory approval.

The business activities of Applicants are described in Section I of this Application. In addition, Applicants do not hold a franchise or sell power at retail within the United States. Accordingly, no Exhibit A is included with this Application.

EXHIBIT B (§ 33.2(c)(2)) — A list of all energy subsidiaries and energy affiliates, percentage ownership interest in such subsidiaries and affiliates, and a description of the primary business in which each is engaged.

The energy subsidiaries and energy affiliates of Applicants that own electric generation facilities or transport natural gas are described in **Exhibit B** to this Application. Because Applicants have identified all affiliates that own generation or transport natural gas, they respectfully request waiver of the requirement to identify their remaining energy subsidiaries and energy affiliates.

EXHIBIT C (§ 33.2(c)(3)) — Organizational charts depicting Applicant's current and post-transaction corporate structures.

The proposed Transfer does not affect the corporate structure of any party to this transaction. Accordingly, Applicants respectfully request waiver of Exhibit C.

EXHIBIT D (§ 33.2(c)(4)) — Description of all joint ventures, strategic alliances, tolling arrangements or other business arrangements, including transfers of operational control of transmission facilities to Commission approved Regional Transmission Organizations, both current, and planned to occur within a year from the date of filing, to which the Applicant or its parent companies, energy subsidiaries, and energy affiliates is a party, unless the Applicant demonstrates that the proposed transaction does not affect any of their business interests.

The proposed Transfer will not have any effect on joint ventures, strategic alliances or other business arrangements of Applicants. Accordingly, Applicants respectfully request waiver of Exhibit D.

EXHIBIT E (§ 33.2(c)(5)) — Identity of common officers or directors of parties to the proposed transaction.

There are no shared officers or directors between USGenNE and CPS.

EXHIBIT F (§ 33.2(c)(6)) — Description and location of wholesale power sales customers and unbundled transmission services customers served by the Applicant or its parent companies, subsidiaries, affiliates and associate companies.

Applicants do not own, operate or control any transmission facilities other than limited interconnection facilities necessary to interconnect its generation facilities to the transmission systems of its transmission providers and, therefore, have no unbundled transmission customers. As described in Section I, *supra*, Applicants sell power at market-based rates in the United States. The proposed Transfer will not alter the existing service contracts of any wholesale power sales customer or unbundled transmission service customer served by Applicants, Applicants' parent companies, subsidiaries, affiliates or associate companies other than as described herein related to transfer of the CPS Share. Accordingly, Applicants respectfully request waiver of Exhibit F.

EXHIBIT G (§ 33.2(d)) — Description of jurisdictional facilities owned, operated, or controlled by the Applicant or its parent companies, subsidiaries, affiliates, and associate companies.

The jurisdictional facilities owned, operated and controlled by Applicants are described in Section I of this Application. The jurisdictional facilities owned, operated and controlled by Applicants and Applicants' parent companies, subsidiaries, affiliates and associate companies are not implicated or affected by the proposed Transfer. Information concerning such jurisdictional facilities, therefore, would not be relevant to an analysis of whether the proposed Transfer is consistent with the public interest under Section 203 of the FPA. Accordingly, Applicants respectfully request waiver of the requirement to provide this additional information in Exhibit G.

EXHIBIT H (§ 33.2(e)) — A narrative description of the proposed transaction for which Commission authorization is requested, including:

(1) The identity of all parties involved in the transaction.

A description of the parties involved in the proposed Transfer is included in Section I, *supra.*

(2) All jurisdictional facilities and securities associated with or affected by the transaction.

The paper jurisdictional facilities (*i.e.*, the partial transfer of the right to serve certain customers) affected by the proposed Transfer are described and discussed in Section I of this Application. Accordingly, no Exhibit H is included with this Application.

(3) The consideration for the transaction.

The consideration, consisting of a cash payment, was negotiated at arms'-length between USGenNE and CPS. The agreement requiring payment of the consideration is set forth in Confidential **Exhibit I**.

(4) The effect of the transaction on such jurisdictional facilities and securities.

See Sections I and II of this Application.

EXHIBIT I (§ 33.2(f)) — All contracts relating to the proposed transaction together with copies of all other written instruments entered into or proposed to be entered into by the parties to the transaction.

The terms and conditions of the proposed Transfer are set forth in the Agreement for the Purchase of MECO Wholesale Standard Offer Service (the "Agreement") and is included herein as Confidential **Exhibit I**. Pursuant to 18 C.F.R. § 388.112, this document has been removed from the public version of this filing because it contains confidential information.

EXHIBIT J (§ 33.2(g)) — A statement explaining the facts relied upon to demonstrate that the proposed transaction is consistent with the public interest.

See Section II of this Application for a full discussion of the facts relied upon to demonstrate that the proposed Transfer is consistent with the public interest.

EXHIBIT K (§ 33.2(h)) — A general or key map showing the properties of each party to the transaction.

The Transfer involves disposition of USGenNE's right and obligation to serve MECO under the Original Agreement, not physical property. Accordingly, Applicants respectfully request waiver of the requirement to file Exhibit K.

EXHIBIT L (§ 33.2(i)) — Identify the licenses, orders, or other approvals required from other regulatory bodies in connection with the proposed transaction, and the status of other regulatory actions.

No other application with respect to the proposed Transfer is required to be filed by Applicants with any Federal or State regulatory body. MECO has agreed to make any filings necessary to meet Massachusetts regulatory obligations and the Effective Date, by definition, will not occur until each required regulatory approval is received or, with respect to state approval, the MDTE provides written notice that no approval is required.

IV. PROPOSED ACCOUNTING ENTRIES REQUIRED BY 18 C.F.R. SECTION 33.5

Applicants have not included proposed accounting entries showing the effect of the proposed Transfer on account balances because Applicants are not required to maintain books and records in accordance with the Commission's Uniform Systems of Accounts.

V. NOTICE AND VERIFICATION

As required by Section 33.6 of the Commission's regulations, 18 C.F.R. § 33.6 (2001), a form of notice suitable for publication in the *Federal Register* is included herein as **Attachment 1** and a copy of this same notice, in electronic format on a 3½-inch diskette, is enclosed.

Attached hereto as **Attachment 2** are Verifications, as required by 18 C.F.R. § 33.7 (2001), signed on behalf of the Applicants.

VI. REQUEST FOR WAIVERS

The requirements of Part 33 of the Commission's regulations are intended to serve the underlying purposes of Section 203 of the FPA, which are to prevent transfers of jurisdictional facilities that would adversely affect the ability of public utilities to render adequate service to their customers. Because the proposed Transfer will not result in the impairment of customer service, or adversely affect regulation of any jurisdictional facilities, it is appropriate in this case for the Commission to reduce the filing requirements contained in its regulations.

In a number of prior instances, the Commission has relaxed the full filing requirements of Part 33 of its regulations. Instead, the Commission has required the filing of only such information as will satisfy the minimum statutory requirements of Section 203 of the FPA. *See*, *e.g.*, *El Paso Energy Corp.*, 89 FERC ¶ 62,199 (1999); *Lake Road*, 100 FERC ¶ 62,046. Waiver is appropriate in this instance because, for the reasons explained above, the proposed Transfer will not result in any adverse effect on competition, rates or regulation.

Based on the foregoing, Applicants request full or partial waiver of the requirements of Section 33.2(c)(2) (list of all energy subsidiaries and energy affiliates), Section 33.2(c)(3) (organizational chart with all energy subsidiaries and energy affiliates), Section 33.2(c)(4) (statement of effect on joint ventures, strategic alliances or other business arrangements), Section 33.2(c)(6) (description and location of customers), Section 33.2(d) (description of jurisdictional facilities), Section 33.2(h) (map), Section 33.3 (horizontal impacts), and Section 33.4 (vertical impacts) and authorize the transfer described herein on the basis of the information provided in this Application.

VII. REQUEST FOR CONFIDENTIAL TREATMENT

Pursuant to 18 C.F.R. § 388.112(b) (2001) of the Commission's regulations, Applicants request privileged treatment for **Exhibit I**, which contains the Agreement related to the proposed Transfer of the CPS Share. Applicants are submitting one original confidential version of this Application, three (3) copies of the confidential version to be placed in the Commission's nonpublic files, and five (5) "public file" copies of this Application with confidential material deleted. 18 C.F.R. § 33.8 (2001). This information is commercially sensitive and not publicly available.

Because the proposed Transfer does not raise any issues under the Commission's regulations with respect to an adverse effect on competition, rates or regulation, Applicants do not expect parties will move to intervene in this proceeding and are thus not including a proposed protective order as discussed in Section 33.9 of the Commission's regulations, 18 C.F.R. § 33.9 (2001). In the event that a party indicates a desire to intervene and to review the Agreement, Applicants will file a protective order.

VIII. CONCLUSION

WHEREFORE, for the reasons set forth above, Applicants respectfully request that the Commission authorize the proposed Transfer.

Respectfully submitted,

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Cynthia Harkness
Lisa Decker
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Washington, D.C. 20006

Attorneys for USGenNE

Dated: August 22, 2002

EXHIBIT B

LIST OF ENERGY SUBSIDIARIES AND ENERGY AFFILIATES

I. THE USGenNE PARTIES.

The following affiliates of USGenNE (other than PG&E, which is described in Section I of this Application) own generating facilities or transport natural gas. For completeness, this list includes all affiliates that have been authorized to sell power at market-based rates and also those affiliates who are qualifying facilities.

- Athens Generating Company, L.P. ("Athens"): Athens is authorized to sell power at market-based rates pursuant to Section 205 of the Federal Power Act ("FPA"). *Milford Power Co.*, 89 FERC ¶ 61,024 (1999). Athens is also an exempt wholesale generator ("EWG") pursuant to section 32 of the Public Utility Holding Company Act of 1935, as amended ("PUHCA"). *Athens Generating Co., L.P.*, 89 FERC ¶ 62,026 (1999).

- Attala Energy Company, LLC ("Attala Energy"): Attala Energy is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Attala Energy Co.*, 97 FERC ¶ 61,282 (2001).

- Attala Generating Company, LLC ("Attala"): Attala is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Attala Generating Co.*, Docket Nos. ER01-747-000 and ER01-747-001 (unpublished delegated letter order issued Feb. 15, 2001). Attala is also an EWG pursuant to Section 32 of PUHCA. *Attala Generating Co.*, 94 FERC ¶ 62,056 (2001).

- Badger Generating Company, LLC ("Badger"): Badger is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Badger Generating Co.*, Docket No. ER00-3457-000 (unpublished delegated letter order issued Oct. 10, 2000). Badger is also an EWG pursuant to Section 32 of PUHCA. *Badger Generating Co.*, 93 FERC ¶ 62,021 (2000).

- Cedar Bay Generating Company, Limited Partnership ("Cedar Bay"): Cedar Bay owns a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. *Cedar Bay Generating Co.*, Docket No. QF89-126-006, "Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed July 30, 1998). Cedar Bay is also an EWG pursuant to Section 32 of PUHCA. *Cedar Bay Generating Co.*, 84 FERC ¶ 62,019 (1998).

- Chambers Cogeneration Limited Partnership ("Chambers"): Chambers owns a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. *Chambers Cogeneration Ltd. P'ship.*, Docket No. QF89-433-007,

"Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed Nov. 17, 1998).

- Colstrip Energy Limited Partnership ("Colstrip"): Colstrip is a qualifying small power production facility pursuant to Section 292.203(a) of the Commission's regulations. *Colstrip Energy Ltd P'ship*, 82 FERC ¶ 62,195 (1998).

- Covert Generating Company, LLC ("Covert"): Covert is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Covert Generating Co.*, Docket Nos. ER01-520-000 and ER01-520-001 (unpublished delegated letter order issued Feb. 9, 2001). Covert is also an EWG pursuant to Section 32 of PUHCA. *Covert Generating Co.*, 93 FERC ¶ 62,237 (2000).

- Harquahala Generating Company, LLC ("Harquahala"): Harquahala is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Harquahala Generating Co.*, Docket Nos. ER01-748-00 and ER01-748-001 (unpublished delegated letter order issued Feb. 28, 2001). Harquahala is also an EWG pursuant to Section 32 of PUHCA. *Harquahala Generating Co.*, 94 FERC ¶ 62,099 (2001).

- Hermiston Generating Company, L.P. ("Hermiston"): Hermiston is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Hermiston Generating Co.*, Docket Nos. ER01-2159-000, ER01-2159-001, and ER01-2159-002 (unpublished delegated letter order issued Dec. 14. 2001). Hermiston is also an EWG pursuant to Section 32 of PUHCA. *Hermiston Generating Co., L.P.*, 76 FERC ¶ 62,013 (1996).

- Indiantown Cogeneration, L.P. ("Indiantown"): Indiantown is a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. *Indiantown Cogeneration, L.P.*, Docket No. QF90-214-010, "Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed Nov. 24, 1999). Indiantown is also an EWG pursuant to Section 32 of PUHCA. *Indiantown Generating Co.*, 83 FERC ¶ 62,274 (1998).

- Lake Road Generating Company, L.P. ("Lake Road"): Lake Road is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Rockingham Power, L.L.C.*, 86 FERC ¶ 61,337 (1999). Lake Road is also an EWG pursuant to Section 32 of PUHCA. *Lake Road Generating Co*., 86 FERC ¶ 62,178 (1999).

- La Paloma Generating Company, LLC ("La Paloma"): La Paloma is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *AES Placerita, Inc*., 89 FERC ¶ 61,202 (1999). La Paloma is also an EWG pursuant to Section 32 of PUHCA. *La Paloma Generating Co*., 89 FERC ¶ 62,148 (1999).

- Liberty Generating Company LLC ("Liberty"): Liberty is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Reliant Energy, Inc*., 91

FERC ¶ 61,073 (2000). Liberty is also an EWG pursuant to Section 32 of PUHCA. *Liberty Generating Co.*, 91 FERC ¶ 62,039 (2000).

- Logan Generating Company, L.P. ("Logan"): Logan is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Logan Generating Co.*, 71 FERC ¶ 61,403 (1995). Logan is an EWG pursuant to Section 32 of PUHCA. *Keystone Energy Servs. Co.*, 66 FERC ¶ 61,191 (1994). Logan is also a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. *Logan Generating Co*., 84 FERC ¶ 62,067 (1998).

- Madison Windpower, LLC ("Madison Windpower"): Madison Windpower is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Reliant Energy, Inc*., 91 FERC ¶ 61,073 (2000). Madison Windpower is also an EWG pursuant to Section 32 of PUHCA. *Madison Windpower, LLC*, 91 FERC ¶ 62,026 (2000).

- Mantua Creek Generating Company, L.P. ("Mantua Creek"): Mantua Creek is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Milford Power Co*., 89 FERC ¶ 61,024 (1999). Mantua Creek is also an EWG pursuant to Section 32 of PUHCA. *Mantua Creek Generating Co.*, 89 FERC ¶ 62,015 (1999).

- MASSPOWER: MASSPOWER is a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. MASSPOWER, Docket No. QF89-192-008, "Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed Sept. 30, 1999). MASSPOWER is also an EWG pursuant to Section 32 of PUHCA. *MASSPOWER*, 83 FERC ¶ 62,273 (1998).

- Millennium Power Partners, L.P. ("Millennium"): Millennium is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Millennium Power Partners, L.P*., 82 FERC ¶ 61,024 (1998). Millenium is also an EWG pursuant to Section 32 of PUHCA. *Millenium Power Partners, L.P*., 82 FERC ¶ 62,085 (1998).

- Mountain View Power Partners, LLC ("Mountain View I") and Mountain View Power Partners II, LLC ("Mountain View II"): Mountain View I is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Mountain View Power Partners, LLC*, Docket No. ER01-751-000 (unpublished delegated letter order issued Feb. 9, 2001). Mountain View I is also an EWG pursuant to Section 32 of PUHCA. *Mountain View Power Partners, LLC*, 94 FERC ¶ 62,144 (2001). Mountain View II is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Mountain View Power Partners II, LLC*, Docket No. ER01-1336-000 (unpublished delegated letter order issued Apr. 6, 2001). Mountain View II is also an EWG pursuant to section 32 of PUHCA. *Mountain View Power Partners II, LLC*, 95 FERC ¶ 62,040 (2001).

- Northampton Generating Company, L.P. ("Northampton"): Northampton is a qualifying small power production facility pursuant to Section 292.203(a) of the Commission's regulations. *Northampton Generating Co.*, Docket No. QF87-452-004, "Notice of Self-Recertification as a Qualifying Small Power Production Facility" (filed July 30, 1998). Northampton is also an EWG pursuant to Section 32 of PUHCA. *Northampton Generating Co.*, 84 FERC ¶ 62,020 (1998).

- Okeechobee Generating Company, LLC ("Okeechobee"): Okeechobee is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Oswego Harbor Power LLC*, 88 FERC ¶ 61,219 (1999); *Okeechobee Generating Co.*, Docket No. ER00-499-000 (unpublished delegated letter order issued Dec. 7, 1999). Okeechobee is also an EWG pursuant to Section 32 of PUHCA. *Okeechobee Generating Co.*, 89 FERC ¶ 62,204 (1999).

- Panther Creek Partners ("Panther Creek"): Panther Creek is a qualifying small power production facility pursuant to Section 292.203(a) of the Commission's regulations. *Panther Creek Partners*, Docket No. QF87-59-012, "Notice of Self-Recertification as a Qualifying Small Power Production Facility" (filed Oct. 27, 2000).

- PG&E Dispersed Generating Company, LLC ("PG&E Dispersed Generating"): PG&E Dispersed Generating (formerly known as Wellhead Generating Company, LLC) is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *PG&E Dispersed Generating Co.*, Docket No. ER00-2134-000 (unpublished delegated letter order issued May 16, 2000). PG&E Dispersed Generating is also an EWG pursuant to Section 32 of PUHCA. *PG&E Dispersed Generating Co.*, 91 FERC ¶ 62,154 (2000).

- PG&E Energy Trading-Power, L.P. ("PGET"): PGET is a power marketer authorized by the Commission to make wholesale sales of capacity, energy and ancillary services at market-based rates. It is the successor in interest to USGen Power Services, L.P. ("USGen PS"). On December 13, 1995, the Commission accepted the market-based rate schedule of USGen PS. *USGen Power Servs., L.P.*, 73 FERC ¶ 61,302 (1995). On January 9, 1998, PGET filed a notice of succession, pursuant to which it adopted, ratified and made its own all of the FERC Rate Schedules of USGen PS. PG&E Energy Trading-Power, L.P., Docket No. ER98-1370-000 (unpublished delegated letter order issued Mar. 5, 1998). On October 10, 2000, the Commission granted PGET's request to remove the prohibition on interaffiliate sales between PGET and Pacific Gas and Electric Company under PGET's market-based rate tariff. *PG&E Energy Trading-Power, L.P.*, Docket No. ER00-3676-000 (unpublished delegated letter order issued Oct. 10, 2000).

- Pittsfield Generating Company, L.P. ("Pittsfield"): Pittsfield is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Pittsfield Generating Co.*, 85 FERC ¶ 61,147 (1998). Pittsfield is an EWG pursuant to Section 32 of PUHCA. *Pittsfield Generating Co.*, 69 FERC ¶ 61,293 (1994). Pittsfield is also a qualifying cogeneration facility pursuant to Section 292.203(b) of the

Commission's regulations. *Pittsfield Generating Co*., Docket No. QF88-21-007, "Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed July 29, 1998).

- Plains End, LLC ("Plains End"): Plains End is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *Plains End, LLC*, Docket No. ER01-2741-000 (conditionally accepted by unpublished delegated letter order issued Sept. 24, 2001); a compliance filing was made on October 4, 2001. Plains End is an EWG pursuant to Section 32 of PUHCA. *Plains End, LLC*, 96 FERC ¶ 62,096 (2001).

- RAMCO, Inc. ("RAMCO"): RAMCO is authorized to sell power at market-based rates pursuant to Section 205 of the FPA. *RAMCO, Inc.*, Docket No. ER01-1916-000 (unpublished delegated letter order issued June 26, 2001).

- Scrubgrass Generating Company, L.P. ("Scrubgrass"): Scrubgrass is a qualifying small power production facility pursuant to Section 292.203(a) of the Commission's regulations. *Scrubgrass Generating Company, L.P.*, Docket No. QF88-406-009, "Notice of Self-Recertification as a Qualifying Small Power Production Facility" (filed Nov. 17, 1998). Scrubgrass is also an EWG pursuant to Section 32 of PUHCA. *Scrubgrass Generating Co.*, 84 FERC ¶ 62,028 (1998).

- Selkirk Cogen Partners, L.P. ("Selkirk"): Selkirk is a qualifying cogeneration facility pursuant to Section 292.203(b) of the Commission's regulations. *Selkirk Cogen Partners, L.P.*, Docket No. QF89-274-014, "Notice of Self-Recertification as a Qualifying Cogeneration Facility" (filed July 30, 1998). Selkirk is also an EWG pursuant to Section 32 of PUHCA. *Selkirk Cogen Partners, L.P.*, 69 FERC ¶ 61,037 (1994).

- Spencer Station Generating Company, L.P. ("Spencer"): Spencer is an EWG pursuant to Section 32 of PUHCA. *Spencer Station Generating Co.*, 96 FERC ¶ 62,120 (2001).

GAS TRANSMISSION PIPELINES

- Iroquois Gas Transmission System, L.P. is a 375 mile interstate pipeline extending from the U.S.-Canada border in northern New York through Connecticut to Long Island, New York.

- PG&E Gas Transmission, Northwest Corporation owns the GTN pipeline, which consists of over 1,300 miles of transmission mainline pipe with a capacity of 2.7 billion cubic feet of natural gas per day and extends from the British Columbia-Idaho border to the Oregon-California border.

- North Baja Pipeline, LLC will be a 80 mile interstate pipeline that extends from the U.S.-Mexico border to the El Paso Natural Gas Company pipeline in Ehrenberg, Arizona.

- Standard Pacific Gas Line Incorporated ("Standard Pacific") is a partially-owned subsidiary that owns natural gas pipelines extending from Rio Vista, California to San Pablo, California. Standard Pacific was originally certificated as an interstate pipeline, *Standard Pacific Gas Line Inc.*, 19 F.P.C. 162 (1958), but currently holds a certificate of exemption under the Hinshaw Amendment, issued in Docket No. CP86-666. *Standard Pacific Gas Line Inc.*, 37 FERC ¶ 62,085 (1986).

II. THE CPS PARTIES.

The following affiliates of CPS own generating facilities or transport natural gas. For completeness, this list includes all affiliates that have been authorized to sell power at market-based rates and also those affiliates who are qualifying facilities.

- Baltimore Gas and Electric Company ("BGE") is a combination electric and gas utility that transmits and distributes electricity to 1.2 million customers, and provides retail gas service to 600,000 residential, commercial and industrial customers in all or part of 10 counties in central Maryland and the City of Baltimore, Maryland.

- Constellation Power Source Generation, Inc. owns and operates the non-nuclear generation facilities previously owned by BGE, including nine wholly-owned generating plants in Maryland totaling approximately 3,783 MW, partial ownership in the Keystone and Conemaugh generating plants in Pennsylvania totaling approximately 540 MW and a stock interest in Safe Harbor Water Power Corporation which entitles it to approximately 279 MW from a hydroelectric generating plant in Pennsylvania. CPSG is authorized by the Commission to sell power at market-based rates. *AmerGen Vt., LLC*, 90 FERC ¶ 61,307, *reh'g denied*, *Baltimore Gas & Elec. Co.*, 91 FERC ¶ 61,270 (2000).

- Calvert Cliffs Nuclear Power Plant, Inc. ("CCNPP") owns and operates the approximately 1,675 MW Calvert Cliffs Nuclear Power Plant located in Maryland. CCNPP is authorized by the Commission to sell power at market-based rates. *AmerGen Vt., LLC*, 90 FERC ¶ 61,307, *reh'g denied*, *Baltimore Gas & Elec. Co.*, 91 FERC ¶ 61,270 (2000).

- Nine Mile Point Nuclear Station, LLC ("NMPNS") solely owns Unit One which is an approximately 610 MW nuclear unit in the Nine Mile Point Nuclear Power Plant in Scriba, New York and owns an 82 percent undivided interest in Unit 2 which is an approximately 1,142 MW unit of the facility. NMPNS is authorized by the Commission to sell power at market-based rates. *Nine Mile Point Nuclear Station*, 95 FERC ¶ 61,202 (2001).

- Holland Energy, LLC owns an approximately 665 MW natural gas-fired, combined cycle generating facility located in Shelby County, Illinois which is currently expected to commence commercial operation in the summer of 2002. Holland

Energy, LLC is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER01-558-000, Jan. 19, 2001. Holland Energy, LLC is an EWG. *Holland Energy, LLC*, 92 FERC ¶ 62,134 (2000).

- Wolf Hills Energy, LLC owns an approximately 250 MW natural gas-fired generating facility located in Washington County, Virginia, and is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER01-559-000, Jan. 19, 2001. Wolf Hills Energy, LLC is an EWG. *Wolf Hills, Energy LLC*, 92 FERC ¶ 62,099 (2000).

- University Park Energy, LLC owns an approximately 300 MW natural gas-fired generating facility located in University Park, Illinois, and is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER01-557-000, Jan. 19, 2001. University Park Energy, LLC is an EWG. *University Park, LLC*, 92 FERC ¶ 62,117 (2000).

- Handsome Lake Energy, LLC owns an approximately 250 MW natural gas-fired generating facility located in Venango County, Pennsylvania, and is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER01-556-000, Jan. 19, 2001. Handsome Lake Energy, LLC is an EWG. *Handsome Lake Energy, LLC*, 93 FERC ¶ 62,217 (2000).

- Big Sandy Peaker Plant, LLC leases and operates an approximately 300 MW natural gas-fired generating facility located in Wayne County, West Virginia, and is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER01-560-000, Jan. 19, 2001. Big Sandy Peaker Plant, LLC is an EWG. *Big Sandy Peaker Plant, LLC*, 93 FERC ¶ 62,212 (2000).

- Oleander Power Project Limited Partnership owns an approximately 680 MW natural gas-fired generating facility located in Cocoa, Florida, and is authorized by the Commission to sell power at market-based rates. Letter Order, Docket No. ER00-3240-000, Aug. 30, 2000. Oleander Power Project is an EWG. *Oleander Power Project, L.P.*, 92 FERC ¶ 62,159 (2000).

- Rio Nogales Power Project Limited Partnership owns an approximately 800 MW natural gas-fired generating facility located in Guadeloupe County, Texas. Rio Nogales Power Project, L.P. is an EWG. *Rio Nogales Power Project, L.P.*, 92 FERC ¶ 62,136 (2000).

- High Desert Power Project, LLC will lease and operate an approximately 750 MW natural gas-fired generating facility in California's Victor Valley which is currently expected to commence commercial operation in 2003. High Desert Power Project, LLC is an EWG. *High Desert Power Project, LLC*, 93 FERC ¶ 62,244 (2000).

- Constellation Power Source Maine, L.L.C. provides retail service to customers within the state of Maine and is authorized by the Commission to sell power at market-based rates. *Constellation Power Source Maine, L.L.C.*, Docket No. ER02-699-000 (unpublished delegated letter order issued Feb. 26, 2002).

- Power Provider, LLC is authorized by the Commission to sell power at market-based rates but is not currently providing wholesale electric service to customers. *Power Provider, LLC*, 95 FERC ¶ 61,434 (2001).

- Constellation Power Inc. and Constellation Investments, Inc. have partial ownership interests in the following QF power projects located in the states indicated and having the total MW output indicated below.

QF	Location	Net MW
Chinese Station	CA	22
Fresno	CA	24
Rocklin	CA	24
ACE	CA	102
Jasmin	CA	33
Poso	CA	33
Mammoth Lakes 1	CA	8
Mammoth Lakes 2	CA	12
Mammoth Lakes 3	CA	12
Puna I	HI	30
Soda Lake No. 1	NV	3
Soda Lake No. 2	NV	13
Stillwater	NV	13
Malacha[11]	CA	32
SEGS IV	CA	30
SEGS V	CA	30
SEGS VI	CA	30
Colver	PA	110
Panther Creek	PA	83
Sunnyside	UT	53
Central Wayne	MI	22

[11] CEG has a partial, indirect interest in Malacha Hydro Limited Partnership ("Malacha"), which owns a QF that is also a jurisdictional public utility under the FPA. Letter Order, Docket No. ER93-358-000, May 23, 1993. Malacha is a Maryland limited partnership that owns and operates the Muck Valley Hydroelectric Project on the Pit River near Fall River Mills in Lassen County, California. The project is a qualifying small power production facility with a capacity of over 30 MW that is not exempt from the FPA. *Malacha Power*, *supra*. Malacha is an EWG. *Malacha Hydro Ltd. Partnership*, 62 FERC ¶ 61,184 (1993).

****PRIVILEGED AND CONFIDENTIAL INFORMATION HAS BEEN REMOVED PURSUANT to 18 C.F.R. § 388.112****

CONTRACTS RELATED TO THE TRANSFER

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc.	)	Docket No. EC02-___-000
Constellation Power Source, Inc.	)	
	)	

NOTICE OF FILING

Take notice that on August 22, 2002, USGen New England, Inc. ("USGenNE") and Constellation Power Source, Inc. ("CPS"), tendered for filing, pursuant to Section 203 of the Federal Power Act, 16 U.S.C. § 824b (1994), and Part 33 of the Commission's regulations, 18 C.F.R. Part 33 (2001), an application requesting that the Commission approve the transfer of a negotiated percentage of the right and obligation of USGenNE to serve the Massachusetts Electric Company and the Nantucket Electric Company to CPS.

Any person desiring to be heard or to protest said filing should file a petition to intervene or protest with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, DC 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 C.F.R. §§ 385.211 and 214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make the protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the Applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at http://www.ferc.gov, using the "FERRIS" link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, call 202-208-2222. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 C.F.R. § 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: _____, 2002

Magalie Roman Salas
Secretary

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc. Constellation Power Source, Inc.	)	Docket No. EC02-___-000

VERIFICATION

STATE OF MARYLAND)
)
COUNTY OF MONTGOMERY)

NOW, BEFORE ME, the undersigned authority, personally came and appeared,

[Name]
[Title]

who, after first being duly sworn by me, did depose and say:

That [he/she] is [TITLE] of USGen New England, Inc.; that [he/she] has the authority to verify the foregoing Application in the above proceeding; that [he/she] has read said Application and knows the contents thereof; and that all of the statements contained in said Application are true and correct to the best of [his/her] knowledge and belief.

_____

Subscribed and sworn to before me,
this ____ day of August 2002

_____
Notary Public

My Commission Expire:

ATTACHMENT 2

UNITED STATES OF AMERICA
BEFORE THE
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc.	)	Docket No. EC02-___-000
Constellation Power Source, Inc.	)	
	)	

VERIFICATION

STATE OF MARYLAND)
)
COUNTY OF MONTGOMERY)

NOW, BEFORE ME, the undersigned authority, personally came and appeared,

[Name]
[Title]

who, after first being duly sworn by me, did depose and say:

That [he/she] is [TITLE] of Constellation Power Source, Inc.; that [he/she] has the authority to verify the foregoing Application in the above proceeding; that [he/she] has read said Application and knows the contents thereof; and that all of the statements contained in said Application are true and correct to the best of [his/her] knowledge and belief.

_____

Subscribed and sworn to before me,
this ____ day of August 2002

_____
Notary Public

My Commission Expire:

ATTACHMENT D

FERC Notice of Section 203 Filing

20020828-3034 Received by FERC OSEC 08/28/2002 in Docket#: EC02-109-000

UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

USGen New England, Inc. Docket No. EC02-109-000
Constellation Power Source, Inc.

NOTICE OF FILING

(August 28, 2002)

Take notice that on August 22, 2002, USGen New England, Inc. (USGenNE) and Constellation Power Source, Inc. (CPS), tendered for filing with the Federal Energy Regulatory Commission (Commission), pursuant to Section 203 of the Federal Power Act, 16 U.S.C. § 824b (1994), and Part 33 of the Commission's regulations, 18 CFR Part 33, an application requesting that the Commission approve the transfer of a negotiated percentage of the right and obligation of USGenNE to serve the Massachusetts Electric Company and the Nantucket Electric Company to CPS.

Any person desiring to intervene or to protest this filing should file with the Federal Energy Regulatory Commission, 888 First Street, N.E., Washington, D.C. 20426, in accordance with Rules 211 and 214 of the Commission's Rules of Practice and Procedure (18 CFR 385.211 and 385.214). Protests will be considered by the Commission in determining the appropriate action to be taken, but will not serve to make protestants parties to the proceeding. Any person wishing to become a party must file a motion to intervene. All such motions or protests should be filed on or before the comment date, and, to the extent applicable, must be served on the applicant and on any other person designated on the official service list. This filing is available for review at the Commission or may be viewed on the Commission's web site at http://www.ferc.gov, using the "FERRIS" link. Enter the docket number excluding the last three digits in the docket number filed to access the document. For assistance, call (202) 502-8222 or TTY, (202) 208-1659. Protests and interventions may be filed electronically via the Internet in lieu of paper; see 18 CFR 385.2001(a)(1)(iii) and the instructions on the Commission's web site under the "e-Filing" link. The Commission strongly encourages electronic filings.

Comment Date: September 13, 2002

Linwood A. Watson, Jr.
Deputy Secretary